2014 ANNUAL REPORT

Our Focus: Happy Customers.

FIDELITY BANK

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Financial Highlights

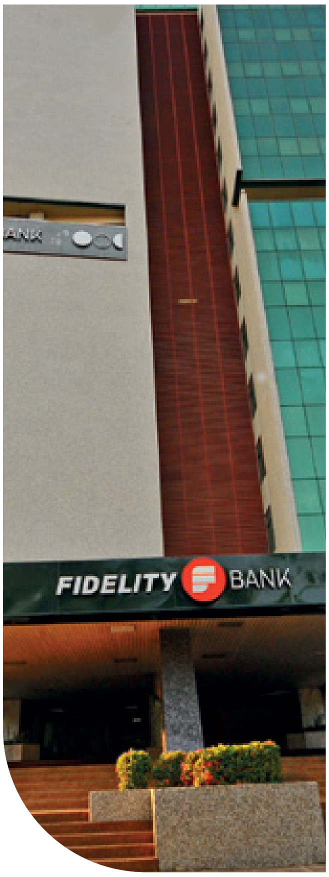
[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

	GROUP		BANK	
	2014	2013	2014	2013
At year end				
Total assets	3,135,003	1,691,611	3,020,283	1,689,670
Total loans and advances (net)	1,661,004	827,177	1,559,530	805,967
Total deposits	1,892,651	1,355,728	1,777,313	1,355,980
Shareholders equity	392,679	155,869	384,826	154,003
For the year ended 31 December				
Interest income	361,172	252,886	352,566	253,345
Profit before tax	114,287	62,722	112,477	62,579
Profit after tax	83,382	43,868	81,912	43,877
Dividend per share [GHc]	0.83	0.46	0.83	0.46
Earnings per share [GHc]	3.57	2.48	3.51	2.48
Return on average equity (%)	30	32	31	32
Return on average assets (%)	3	3	4	3
Number of staff	2,100	1,914	1,751	1,900
Number of branches	75	50	51	50
Number of ATMs	109	75	75	75

WE HAVE A MUCH STRONGER BANK TODAY, WHICH IS BETTER ABLE TO COMPETE.

We owe this all to our strong belief in offering the best of customer experiences, while driving all our efforts towards building a strong nation, Ghana.

Corporate Profile



Fidelity Bank was issued with its universal banking license on June 28th 2006, making Fidelity Bank Ghana Limited, the 22nd bank to be licensed by the Bank of Ghana under the new Banking Act, 2004 (Act 673). The Bank is owned by Ghanaian individuals, other institutional investors and its senior executives.

The Bank was formerly Fidelity Discount House, the leading discount house in Ghana. After operating profitably for 8 years, the business environment in the country attracted investors to the idea of establishing a bank.

Fidelity Bank has a team of high calibre professionals with diverse skills and experience. The Bank has invested heavily in technology and continues to invest heavily in training to ensure that it is at par with the best in the world. Fidelity Bank offers a comprehensive range of products and services to meet the banking and financial needs of existing and potential customers.

Fidelity Bank has three subsidiaries:
• ProCredit Savings & Loans Limited
• Fidelity Asia Bank Limited
• Fidelity Securities Limited

On 1 October 2014, the Bank acquired ProCredit Savings and Loans Company Limited (PCSL) from ProCredit Holding Germany (PCH) and the DOEN Foundation of the Netherlands. Procredit Savings and Loans Limited (PCSL) is a non-bank financial institution that provides savings and lending services to its clients.

Fidelity Asia Bank Limited (FABL) was established in July 2012 as a wholly owned Asian subsidiary in Malaysia. FABL carries on the business of offshore banking.

Fidelity Securities Limited (FSL), a fully owned subsidiary of the bank, is the investment banking arm of the bank. Formerly known as Fidelity Asset Management, FSL's business involves providing advisory services, issuing of securities, raising of capital and undertaking portfolio investment management for clients.

Vision

Fidelity Bank's vision is to become a world-class financial institution that provides superior returns for all stakeholders as follows:

Our customers:
The best place to bank

Our shareholders:
The best place to invest

Our employees:
The best place to work

Our regulators:
The best place to benchmark

With strong people, technology and financial capital, Fidelity Bank is looking forward to active participation in the local banking industry.

Mission

To be a top 3 bank by 2018, based on all key performance indicators: deposits, fees, quality of loan book, cost to income ratio, and anchored on three key pillars -
• our people
• our service and processes, and
• return to stakeholders.

This will be premised on exceptional Corporate Governance Standards, knowledge of the local market, professionalism, proactivity, innovation and above all its customer-centric culture. This will contribute positively to the development of the industry and by extension the Ghanaian economy.

2014 Awards & Major Achievements

2014 was indeed a very eventful year, in which we made many significant moves designed to boost our standing and our influence on an international scale. We also received much recognition for our hard work, thanks to the continued support of all our cherished customers, whose loyalty helped us amass numerous awards in 2014.

The awards include:

- CIMG Bank of the year
- CIMG Marketing Man of the Year
- Best Bank in Ghana, EMEA Africa Banking Awards
- Oil and Gas Financial Services Provider of the year, Ghana Oil and Gas Awards (GOGA)
- Best Bank in Household Finance, Ghana Banking Awards
- Best Bank in Product Innovation, First Runner Up, Ghana Banking Awards
- Best Bank in Product Innovation, 2nd Runner Up, Ghana Banking Awards
- Best Company, Financial Sector Company, AGI Ghana Industry Awards
- Gold Award TV (Financial Institutions category), Gong Gong Awards
- Gold Award, Outdoor (Financial Institutions category), Gong Gong Awards
- Best Strategic Change and Marketing for e-learning in Africa, Skillsoft
- Global Professional Achievers, Entrepreneur of the year

IBM, FIDELITY BANK CONFIRM PARTNERSHIP
- August 6, 2014

Fidelity Bank chose IBM, an American multinational technology and consulting corporation, to manage its technology infrastructure and services for the next five years. The $66-million deal was signed by Mrs Ginni Rometty, Chairman and Chief Executive Officer of IBM and Mr Edward Effah, Managing Director of Fidelity Bank Ghana Limited to help the bank deliver advanced customer service and secure its reputation as a dynamic financial services institution in West Africa.

The deal was signed during the US-Africa Business Forum hosted by President Obama, which focused on business opportunities, trade, development infrastructure and investment into Africa.

IBM now manages the administration and governance of the bank's technology assets and looks to enhance the bank's operational efficiency. In partnering with IBM, Fidelity Bank joins 20 other African Banks that have engaged the software giant for world-class IT solutions within the last five years. Currently, 95 of the world's top 100 banks use IBM's business or technology platforms to run their business.

FIDELITY BANK RAISES $127.3 MILLION IN NEW CAPITAL

- August 27, 2014

Fidelity Bank completed a $127.3 million Capital Raising Exercise to inject more capital into the operations of the Bank. The Transaction included a Tier I and Tier II capital raise of $ 67.3 million and $60 million, respectively. The completion of this exercise establishes FBGL as one of the most capitalized banks in Ghana and saw the birth of partnerships with DEG, FMO, SWEDFUND, KTH, Amethis, Rothschild and EFP. In the wake of the capital investment, representatives of Amethis and KTH have now joined the Fidelity Board of Directors.

"We believe that Fidelity Bank is the best independent player in the Ghanaian banking market thanks to a culture of high customer service, efficient processes and product innovation."
–Pierre Rousseau, Deputy Director, Edmond de Rothschild Group

"KTH, Amethis, Rothschild and EDFI's funding is a vote of confidence in the Board and Management of the Bank. Our strategy is to prudently grow our asset base and become a leading bank in Ghana."
– Edward Effah, MD, Fidelity Bank

FIDELITY BANK ACQUIRES PROCREDIT GHANA

- September 3, 2014

Fidelity Bank Ghana Limited (FBGL) underscored its commitment to serving Ghana's SME market through its acquisition of ProCredit Savings and Loans Company Ghana (PCG). Under the transaction , FBGL will purchase all of the shares currently held by PCG's shareholders, ProCredit Holding Germany (PCH) and the DOEN Foundation of the Netherlands. The move is targeted at establishing FBGL as a leading service provider in the SME market and will see the bank leverage the network and expertise of PCG which has served the Ghanaian economy since 2002. With the acquisition, FBGL welcomed over 100,000 new clients and 24 new business outlets which gives FBGL the 3rd largest branch network in Ghana.

"Fidelity Bank has a strategic focus to provide services to all sectors of the market ... the SME sector forms a vital part of our target market."
– Edward Effah, MD, Fidelity Bank

"ProCredit Ghana has played a pioneering role in serving small and medium-sized enterprises in Ghana since 2002. We are very proud of what we have achieved in Ghana, in terms of outreach, client impact, and staff capacity building. We've built lasting relationships with clients that shall certainly endure into the future. We are very confident that Fidelity Bank, backed by both Ghanaian and international investors, will offer excellent prospects for our clients and staff that only a universal bank can offer."
– Helen Alexander, ProCredit Holding

Since the acquisition, we have worked tirelessly towards ProCredit's succesful integration into Fidelity's operations, while staff and customers of ProCredit continue to express their delight at the opportunity to become part of the Fidelity Group.

Corporate Information

Board of Directors:	Dr. William Panford Bray	- Chairman
	Mr. Edward Effah	- Managing Director
	Mr. Jim Baiden	- Deputy Managing Director
	Mr. Kwamina Duker	
	H.E. Mrs. Johanna Odonkor Svanikier	
	Mr. Emmanuel Barima Manu	
	Mr. Alex Dodoo	
	Mr. Paul Victor Obeng	- (Deceased: 17 May 2014)
	Mr. Jacob Hinson	- (Appointed: 28 March 2014)
	Mr. Laurent Demey	- (Appointed: 28 March 2014)
	Mrs. Akosua M. Nelson-Cofie	- (Appointed: 03 November 2014)

Secretary: Maataa Opare

Registered Office:
Fidelity Bank Ghana 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

Independent Auditor
PricewaterhouseCoopers
No. 12 Airport City,
UNA Home, 3rd Floor
PMB CT 42, Cantonments, Accra,
Ghana

Bankers
Ghana International Bank
Citibank
Commerzbank
BHF
Bank of China
BMCE Bank International

Meet the Board

Dr. William Panford Bray
Chairman

Dr. William Panford Bray is a former Managing Director of Ghana Commercial Bank Ltd. from 1999-2002. He was acting Chairman/Chief Executive Officer of Ghana Airways between 2002 and 2003. He has over 45 years of working experience in banking and finance, including his service at Barclays Bank of Ghana Limited, where he reached the position of Deputy Managing Director. He is a fellow of the Chartered Institute of Bankers (FCIB).

Dr. Bray currently serves as the Chairman of Fidelity Bank Ghana Ltd, Enyan Denkyira Rural Bank Ltd, and Opportunities Industrialisation Center, Ghana, as Director of Oak House Ltd., and as Council Member of the Association of Insolvency and Restructuring Advisors.

Dr. Bray has been honoured with various awards, including Life Fellow, International Biographical Association (LFIBA), International Man of the Year 2000-2001; International Who-is-Who of Professionals 2000 and as a Paul Harris Fellow.

Dr. Bray was honoured with a doctorate degree in Banking and Finance by Dayspring Christian University, Mississippi, USA in 2014. He also recently received the Lifetime Achievement Award at the Ghana Banking Awards.

Edward Effah
Managing Director

Edward Effah is the Managing Director and Chief Executive Officer of Fidelity Bank Ghana Limited. He is also the founder of the Fidelity Group and has been its Chief Executive Officer since inception (1998). Edward has over 20 years experience as a Senior Finance Executive. Previous positions held include: Resident Director of Global Emerging Markets Ghana Limited (GEM), Group Risk Manager of Rudolf Wolff, the City of London-based derivatives and foreign exchange trader and as a Management Consultant and Audit Manager with Coopers and Lybrand, London.

Other directorships held by Edward are: Jacana Partners Limited; Takoradi International Company Limited; Member of Council, University of Ghana; Chairman of College of Health Sciences and Africa Capital Limited. Edward is a Chartered Accountant by profession and a member of the Institute of Chartered Accountants in England and Wales.

Meet the Board

Jim Baiden
Deputy Managing Director

Jim Baiden is the Deputy Managing Director and co-founder of Fidelity Bank, with responsibilities for Retail Banking amongst others. Prior to that Jim served as Executive Director of Fidelity Discount House from 2002 after serving as the General Manager since the company's inception. He has had an illustrious 20 year career as a leading Treasury Manager and Investment Banker in the Ghanaian money markets. In the mid 1980's Jim worked at National Investment Bank in various capacities including Eastern Regional head, overseeing branch banking and projects.

Jim has also gained extensive international experience as an alumnus of Gerard & National, London and the Darden School of Management, University of Virginia, USA. Jim holds a Masters Degree in Banking & Finance from the Finafrica Foundation, Milan, Italy and a Bachelor's degree in Economics with Statistics from the University of Ghana, Legon.

H.E. Mrs. Johanna Odonkor Svanikier
Non Executive Director

Her Excellency Mrs. Johanna Odonkor Svanikier is currently Ghana's Ambassador to France & Portugal and a Permanent Delegate to UNESCO and OIF.

H.E. Mrs. Johanna Odonkor Svanikier (LL.B, LL.M (Lond.), B.L., M.P.A. (Harvard), M.Sc (Oxon)) is a Doctoral Candidate in political science at the University of Oxford, United Kingdom and a research associate at the Oxford Centre for International Development. She is also a barrister, university lecturer and legal and development consultant.

She holds Bachelors and Masters Degrees in law from the London School of Economics, UK, a Masters in Public Administration from Harvard University, U.S.A. and a Masters in Political Science from the University of Oxford, U.K.

She was a Fulbright Scholar at Harvard University. She has been called to the Bar in England and Wales and in Ghana. She is the author of several publications including "Womens' Rights and the Law in Ghana"

Meet the Board

Kwamina Duker
Non Executive Director

Kwamina Duker (K) is the CEO of OANDA Corporation, a leading provider of foreign exchange services. K initially joined OANDA as Managing Director for Asia Pacific and was responsible for overseeing the company's operations in the region. Prior to joining OANDA, Mr. Duker headed Deutsche Bank's eFX business in Asia Pacific originating and implementing dbFX — the first retail online forex trading platform from a major bank. K brings with him over two decades of experience in shaping the global Foreign Exchange industry and leading major foreign exchange technology platforms in Europe, the Americas and Asia Pacific.

Kwamina Duker is chairman of FX Architects. He obtained his MBA from UCLA, Business School.

Jacob Hinson
Non Executive Director

Jacob joined KTH in September 2011 as CIO. Prior to joining KTH he was a Senior Director at Actis LLP, where he concluded several transactions in West Africa, East Africa, Brazil and China. While at Actis LLP he was also responsible for managing and co-ordinating the firm's industrial sector focus across the various offices in Africa.

Jacob started his career in Corporate Finance initially within PwC's corporate finance team and subsequently as a Senior Associate at Deutsche Bank's corporate finance division in Johannesburg. Jacob currently serves as a Non- Executive Director of Actom South Africa (Pty) Limited. He obtained his BCom degree from the University of Cape Town and is a CFA charter holder, registered with the CFA institute in the USA.

Meet the Board

Laurent Demey
Non Executive Director

Laurent Demey was Chief Investment Officer and then Deputy CEO of Proparco, from 2006 to 2011, where together with Luc Rigouzzo he managed the very strong growth of Proparco.

Laurent Demey started his career at Société Générale, working on exotic sovereign debt trading and debt/equity swaps and then in the Africa M&A and Advisory department. His experience spans across the Ivory Coast, Cameroon, Gabon, Madagascar and Cameroon. He later headed SG's regional brokerage firm, Sogebourse, between 1998 and 2000. In 2000, he joined PROPARCO as a Senior Investment Officer, and went on to become Head of the Banks and Financial Markets Department.

Laurent Demey graduated from the Ecole Centrale de Paris and holds a postgraduate diploma in development economics from the Ecole Normale Supérieure. He is a recognized specialist of the African financial sector, having served on numerous boards over the past years.

Emmanuel Barima Manu LLB
Non Executive Director

Emmanuel Barima Manu LLB, is a co-founding member and the Managing Partner of Bari & Co. He has extensive experience in corporate and commercial practice including negotiation of commercial and business contracts and other varied agreements. Mr. Manu was called to the Ghana Bar in October 1989 and has worked with other law firms like Naoferg Chambers and Law Trust Company.

Barry has advised many clients on commercial transactions, contracts, corporate business and oil and gas laws including African Gold Group Inc, Bulk Oil Storage and Transportation Company Ltd, Elmina Beach Resort, Atholl Energy Limited, Allterrain Services Ghana Limited, Coco Palm Limited and ALTROM Ltd, Switzerland. He has also represented Fidelity Bank on numerous occasions as Lead legal adviser.

Meet the Board

Alex Dodoo
Executive Director, Wholesale Banking

Alex is one of the pioneers of Fidelity Discount House. He was formerly responsible for the Money Market Desk and the Marketing Department, where he developed various money market products for the Discount House. Alex joined Fidelity from Ecobank Ghana Limited where he worked for two years in the Treasury function.

He has extensive exposure and experience in investments and foreign exchange, with previous work experience in diverse roles in Allied Dunbar, Mercury Funds Management and the National Bank of Greece, all in the UK (London).

Alex is an Economics graduate of the University of Ghana and an associate member of the Chartered Institute of Bankers (ACIB), London.

Mrs. Akosua M. Nelson-Cofie
Non Executive Director

Mrs. Akosua M. Nelson-Cofie is currently the Portfolio Manager (Equities) at SSNIT. She has over twenty (20) years extensive experience in portfolio management, investment management, research, project/programme management, microfinance and capacity development. Mrs. Nelson-Cofie also serves on the Board of a number of companies.

She holds an MBA in Finance, MA in Development Studies and a BA (Honours) in Economics with Statistics.

Executive Committee

Edward Opare Donkor
Chief Operating Officer

Edward is a chartered accountant with over 15 years experience in the Financial Services Sector. As the COO of the Bank, he oversees Finance, Banking Operations, Business Optimization and Corporate Services and Administration Departments. Until his appointment as the Chief Operating Officer, he had served in various capacities as Director of Banking Operations and Finance Director. Prior to joining Fidelity as Accounts Officer, he worked at Enterprise Insurance Co. Ltd as Technical Trainee and at CDH Insurance Ltd as Senior Accounts Officer.

Edward holds an Executive MBA degree from the University of Ghana Business School and a BA (Hons) in Economics from the same University. He is a member of the Institute of Chartered Accountants, Ghana and has participated in various finance based workshops in both Ghana and overseas including workshops at Harvard and Wharton.

Selom Cofie Atta
Director, Retail Network

Selom has over twelve years banking experience. She joined Fidelity Bank from Barclays in June 2006. During her time with Barclays, she was instrumental in the success of their Personal High Value Proposition. She won several Customer Service Excellence Awards and was one of the selected few on their Talent Development Programme, a programme which seeks to develop the next generation of Barclays Bank Leaders.

Since joining as an Executive Relationship Manager with the Private Banking Department, Selom has held various roles – Head, Customer Care, Regional Sales & Service Manager - Southern Sector and currently Director, Retail Network. She is credited with setting up the Customer Care Unit which contributed immensely towards the Bank's Customer Care Award in 2010. Selom is a Certified International Retail Banker.

Executive Committee

Leonard Gikunoo
Director, Corporate Banking for Energy & Oil And Gas

Leonard is a Corporate and Investment Banking professional with more than twelve years experience within financial services sector. He joined Fidelity Bank Ghana Limited in June 2013 as the Director in charge of Corporate Banking - Energy, Mining, Oil & Gas segment.

Prior to joining Fidelity Bank, he was the Vice President responsible for Large Local Corporates within the Corporate & Investment Banking Department of Barclays Bank of Ghana Limited. He spent close to ten years with Barclays Bank with senior corporate relationship management and business development responsibilities across varied segments including the public sector, multinational and local corporates.

Leonard before joining Barclays Bank also worked for Strategic African Securities Limited, an Investment Banking boutique firm in Ghana initially as a manager in charge of trading and research, and later as a Corporate Finance Advisor responsible for capital raising, client due diligence & valuation analysis, mergers and acquisitions analysis, among other key responsibilities.

Leonard holds a BSc (Hons) degree in Business Administration with First Class Honours from the University of Ghana, Legon, an MSc degree in International Securities, Investment and Banking from the Henley Business School, University of Reading, United Kingdom and an MBA degree Finance and Strategy from the Coventry University, Graduate Business School, United Kingdom. Leonard has keen interest in structured finance; project finance; risk management; deal structuring and solutions; business development, customer service and turnaround strategies.

Anthony Bennin
Director, Local & Multinational Corporates

Tony is a young dynamic banker with banking experience in the Treasury function dating back to 2000. He joined Fidelity in September 2006 having previously worked with SG-SSB where he was instrumental in streamlining Treasury processes for value-creation. He was also a member of the pioneering Management Trainee group of SG-SSB. In 2008, Tony became the youngest Director of the bank after prior engagement as the Chief Dealer.

He holds a First degree in Agricultural Economics from the University of Ghana and a Masters Degree in Applied Economics from Youngstown State University, Ohio, USA.

Tunji Alabi
Chief Information Officer

Tunji Alabi started his IT career with Citibank NA in 1988 in the UK and has experience in Business leadership & Technology with special emphasis in business transformation and strategy.

Tunji has a first degree in Computer Engineering from the Obafemi Awolowo University Ife, Nigeria as well as a Postgraduate degree in Telecommunication from South Bank University in London. He has undertaken several enterprise transformation projects and consulting roles as well as cross functional experience of a wide spectrum of industries ranging from Banking, Oil and Gas, Telecommunications, FMCG and Consulting.

Prior to joining Fidelity Bank, Tunji spent 5 years as Group Head of Technology at Ecobank where he spearheaded the centralization of application and services in 36 Ecobank affiliates across Africa.

Steve Williams
Director, Treasury

Steve has over 25 years of experience in Treasury Management. Prior to joining Fidelity Bank, he was the Group Treasurer of Ecobank Transnational Inc (ETI) based in Paris, France. Other positions he has held include; The Director in charge of Fixed Income Trading for Standard Chartered Bank's operations in Africa. He was also the Treasurer and Co-Head of Wholesale Bank at Standard Chartered Bank, Zimbabwe, as well as an Executive Director, Treasury and Co- Head Wholesale Bank, Standard Chartered Bank, Ghana. Steve also held the position of Head of Treasury, at the then Ashanti Goldfields Co Ltd.

Steve is currently a member of the Presidential Task Force appointed to set up the Ghana Exim Bank; the current chairman of the Investment Advisory committee of the Petroleum Management Fund, Head of Treasury Faculty, National Banking College, Ghana and member FX Loss Committee and Petroleum Pricing, Ghana.

He holds a BSc (Hon) Chemical Engineering Degree from Kwame Nkrumah University of Science and Technology and MBA (Finance) from the University of Ghana Business School.

Executive Committee

Angela Forson
Director, Public Sector & Institutional Banking

Angela became the first female director in charge of business in Fidelity Bank and is currently responsible for the Public Sector & Institutional Banking team. Prior to this position, she had worked in many roles in the Bank, including being the head of the Telcoms and utilities desk in Corporate Banking.

In her previous job with Databank Financial Services, Angela worked as a Licensed broker/ Investment advisor, traded on the Ghana Stock Market and also managed investment portfolios in asset management.

Angela acquired both her Executive MBA and Bachelors of Arts at the premier University of Ghana, Legon. She recently became a Fortune/US State Department Mentoring Program Alumni.

Angela brings to the Executive Management team, her exposure to the equity markets, money markets and wholesale banking experience.

John Maxwell Addo Jnr
Director, Human Resources

John is a senior human resources professional with over twelve years generalist and specialist experience gained mostly with top international banks across the Middle East, Africa and the United Kingdom. He has a breadth and depth of experience across Performance and Rewards Management, Talent and Succession Management, Career Development, Employee Engagement, Industrial Relations, Learning Management, Resourcing, Graduate Programmes, Organizational Development and Executive Coaching.

John has recently joined Fidelity Bank as HR Director. His last role with HSBC Bank was Regional Head of Learning, Talent, Resourcing & Organizational Development (LTROD) for HSBC's global businesses (Corporate Banking, Client Coverage and Advisory, Global Markets and Private Banking) in the Middle East and Global Head of LTROD for HSBC Amanah (the Islamic Finance Business of HSBC). He was also part of the Global Leadership team for the HSBC Business School. Prior to HSBC, John held various human resources roles for Standard Chartered in Ghana, the UK and the UAE.

John has a Master of Science degree in Industrial Relations and Human Resources Management from the London School of Economics (LSE), a Bachelor of Law from the University of Ghana and a Qualifying Certificate in Law from the Ghana School of law. He was called to the Ghana Bar in 2001.

Shirley-Ann Awuletey-Williams
Director, Credit Risk Management

Shirley-Ann Awuletey-Williams joined Fidelity Bank in May 2008 as a Corporate Account Manager responsible for the Manufacturing & Distribution Desk in the Corporate Banking Department. She was transferred to the Risk Management Department as the Acting Head in January 2009 and is currently the Director of Credit Risk Management.

With about twenty years experience in banking, Shirley-Ann previously worked with Merchant Bank (Ghana) Limited (now UMB Bank) in various departments/roles including Domestic Banking, Foreign Operations and SME Banking. In the Corporate & Institutional Banking Department, she managed the Credit Analysts Unit as well as the Business Support function and was a Senior Relationship Manager responsible for the Light Manufacturing Sector. Her core competencies include Account Relationship Management, Credit Analysis/Monitoring and Risk Management.

Shirley-Ann holds a first degree in Agricultural Economics from the University of Ghana, Legon and an MBA in Finance from the University of Leicester School of Management, UK. She is also an Associate of the Chartered Institute of Bankers, Ghana.

Socrates Afram
Director, Finance

Socrates is a results-driven finance professional with proven success in developing smart plans that drive performance towards achieving corporate objectives. Prior to his appointment as Director of Finance, Socrates was the Head of Research and product development where he was responsible for developing new products to meet emerging customer needs.

He joined Fidelity Bank in 2007 as Head of Business Performance and has held many roles including Head, Planning and Financial Control.

He has more than a decade's experience in Ghana's financial sector. Socrates was formerly a senior Analyst (Deputy Financial controller) at United Bank for Africa Ghana (UBA). He also served as a financial analyst at General Leasing and Finance company Ltd where he appraised lease credit applications and assisted in developing the company's credit rating system. Between 2004-2005, Socrates was Finance and Administration Manager at Export Finance Company Ltd and was responsible for statutory and regulatory returns, treasury activities of the Company amongst others.

Socrates holds a Bachelor of Commerce degree from the University of Cape Coast and an MBA in Finance from the University of Ghana. He is a Fellow of the Professional Accounting Body, ACCA UK and certified since 2003.

Executive Committee

Dr. William Derban
Director, Financial Inclusion, CSR & PMO

William is responsible for the Bank's micro-finance, payment services and the innovative agency banking services. His objective is to provide basic banking services to the informal and largely unbanked market, providing services that improve lives.

Dr. Derban has held the position as the Head of Community Relations with Barclays Africa and Emerging Markets where he managed the community investment strategy across 14 countries in Africa, Middle East and Asia. He also held various senior positions in the global community investment and financial inclusion departments.

Dr. William Derban holds many awards in recognition of his work, including the Clinton Global Initiative and the Business in the Community market place Awards, The prestigious Coffey award for excellence in corporate responsibility. His projects have been highlighted in the Financial Times, New African, The BBC, and have been used as case studies by the Harvard Kennedy School, UNDP growing inclusive markets and various academic reports.

Dr William Derban is an alumnus of Nottingham Business School in the UK with a doctorate in Micro-finance and Development Finance. He was one of the founding members of the Micro-finance Club UK and a member of the UK All Parliamentary Group on Micro-finance.

Biyi Olagbami
Chief Risk Officer

Biyi Olagbami is a seasoned risk management professional driven by a passionate desire to contribute to the formulation and implementation of best practices in business, governance, compliance and risk management in focused, ethical and merit-driven organisations in Africa.

He holds a M.SC in Architecture from the Obafemi Awolowo University, Nigeria and an MBA from IESE in Barcelona, Spain. He is a hands-on manager with knowledge and experience across the enterprise risk spectrum garnered from over 20 years of banking across West, Central and North Africa

He commenced his banking career as a Management Associate in Citibank and has held various senior positions in local and international banks. These include Chief Risk Officer, Central Africa for Citibank and Chief Risk & Compliance Officer for Bank PHB/ Keystone Bank where he played a critical role through the period of the intervention and subsequent nationalisation of the Bank by the regulators in Nigeria.

As the Chief Risk Officer of Fidelity Bank Ghana Limited, he leads the transformation of the risk management function to support the Bank's vision of becoming a world class financial institution.

Executive Committee

Esi Mills-Robertson
Acting Director, Personal Banking

Esi began her career as a junior consultant with Deloitte &Touché Consulting before branching into marketing. She later joined Unilever Ghana first as a Brands Manager for the Home Care Division and later as the Marketing Manager in charge of Home & Personal Care.

After almost a decade with the Fast Moving Consumer Goods (FMCG) business, Esi joined Fidelity Bank as Head of Marketing with several years of experience in Brand and Strategic Management, Consumer Insight Mining and Integrated Marketing Communications. She later joined the Consumer Banking Business of the bank first as Head of the Private Banking Business and then as Head of the Personal Banking Department bringing all her experience to bear to deliver profitability to the business.

Prior to her appointment as Acting Director of Personal Banking, Esi headed the Brand & Corporate Communications Department and led some of the bank's efforts in brand communication. She also spearheaded an integrated campaign to launch Financial Inclusion for Fidelity Bank.
She holds an MBA (Marketing Option) from the University of Ghana, Legon and a B.Sc. Computer Science from the Kwame Nkrumah University of Science and Technology.

Sarah Tsien Zetterli
Director, Commercial & SME Banking

Sarah Tsien Zetterli is the Director for Commercial & SME Banking in Fidelity Bank Ghana Limited. Sarah has a wealth of experience in MSME finance, institution building, management, credit risk and credit business development.

Originally from California, USA, Sarah graduated from Harvard University with a degree in Anthropology and Economics and also holds an MSc. in Financial Management from University of London. After her first degree, Sarah worked with PlaNet Finance for 3 years, establishing support programs for rural microfinance institutions in 16 provinces of China.

She then joined the International Projekt Consult's (IPC) team under the auspices of China Development Bank's Microfinance Project, to 'downscale' 12 city commercial banks (CCBs) in various areas of China. In 2009, Sarah was transferred to ProCredit Sierra Leone where she was head of Credit Department. She served as Deputy General Manager of ProCredit Bank Sierra Leone.

Sarah joined the ProCredit Ghana team as Manager of the Enterprise Division in September 2010. She was promoted to a member of Management Board and in December 2011 she assumed the role of Managing Director, a position she held until the acquisition of ProCredit by Fidelity Bank. She is passionate about the development of small commercial businesses in Ghana because she believes that SMEs are one of the main drivers of employment and wealth creation.

Sarah enjoys swimming and dancing to highlife. She is married with one son.

Executive Committee

Alfred A Quaye
Director, Internal Audit

Prior to joining the Bank, Alfred was the Head, Internal Control Department of Standard Trust Bank (now UBA), where he set up the department at the Bank's inception. Alfred started his career as a banking supervisor with Bank of Ghana where he gained widespread experience over his thirteen year stay with the Banking Supervision Department including leading on-site examination teams to examine some major commercial banks in Ghana. Alfred was also involved in drafting sections of the Banking Supervision Departments' Examination Manual and played a vital role in the official liquidation of Bank for Housing & Construction Limited. He holds a Bachelor of Arts degree in Economics, an MBA from the University of Ghana and a member of the Association of Certified Chartered Accountants (UK).

Maataa Opare
Head, Legal and Company Secretary

Maataa's career in Fidelity began as a Legal Officer and subsequently Legal Counsel. Prior to joining the Bank she was a Specialist Contract Manager at Santander Private Banking UK where she provided astute legal guidance to its offshore entity, share dealing service and private banking. The previous six years were spent in Bank of Cyprus UK where she was instrumental in effecting changes brought in by Consumer Credit Act and the Payment Services Directive. She was responsible for ensuring that relevant regulatory and administrative bodies were updated and acted as secretary for the Executive Credit Committee. Maataa has had over ten years of experience as an in house lawyer in financial institutions and has also worked in Property Litigation and Product Liability in Hogan Lovells, London. As a Solicitor of the Supreme Court of England & Wales and called to the Bar in Ghana, she is dual jurisdiction qualified.

Maataa holds a Bsc in Politics and International Relations from the University of Southampton. She also took the CPE and Legal Practice Course at the College of Law, Store Street. Her Post-Call was completed at the Ghana School of Law.

Building Lives Through Finance

Corporate Social Responsibility

Since inception, Corporate Social Responsibility (CSR) has always lain at the heart of Fidelity's mission and vision. In the past, we have mostly focused on philanthropic endeavors (sponsorships of events and donations to good social causes). In 2014, in consolidating our position as Ghana's premier indigenous bank, we revamped our CSR strategy and unveiled a new, industry-transformative Corporate Social Responsibility (CSR) Agenda aligned to our socio-developmental and anti-poverty vision for Ghana. This new Agenda is being championed by a dedicated team led by an expert Director, assisted by a Manager, and governed by a high level CSR committee.

Centered around the overarching theme of "Building Lives Through Finance" Fidelity, leveraging on our core expertise, finance, as well as our unparaleled nationwide presence through our 75 branches and 400 Agencies, is bringing together staff and other key stakeholders to undertake nationwide projects and activities with the wider vision of mass poverty alleviation and livelihood improvement.

Fidelity's new CSR Agenda in its short span has chalked impressive feats, pioneering multiple partnerships with top international development agencies, with its impact felt in approximately 25 rural, remote, largely agricultural communities in the Upper East, Upper West, Northern, Ashanti and Greater Accra regions. Staff volunteerism has also seen a spike.

With two distinct embedded programs, Fidelity's CSR now consists of:

• The Building Lives Program which forges Private Public Partnerships (PPPs) with international development agencies, government outfits and other private sector entities while leveraging the skills and assets of the bank to raise funds to undertake targeted socio-economic developmental projects funded/co-funded by donor partners.

• The Charity @ Work Program which is Fidelity's colleague engagement program that seeks to galvanize all Fidelity Bank staff on a cause and then pool our expertise and resources to impact the communities within which we have a presence & relationships.

Underscoring Fidelity's new CSR strategy are four major sub-themes:
• Rural finance & savings promotion
• Education & child development
• Income generation & employment for youth
• Women & health

In 2014, under the above themes, we undertook many impactful social initiatives.

Rural Finance and Savings Promotion

• At the beginning of the year, we signed a two year partnership agreement with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, the German Aid Agency, to undertake a €479,000 financial literacy project. Fidelity has committed to contribute €279,000 of its resources and GIZ is providing a grant of €200,000. We jointly deployed 20,000 materials on savings, microinsurance, investments and loans through joint market storms in both rural and urban areas in the Greater Accra and Ashanti Regions in 2014.

• Fidelity also became the pacesetter in West Africa on bank linkages to informal savers in rural areas, joining forces with CARE International in Ghana, leveraging on our Smart Account product and Agency Banking platform, to provide banking services to approximately 100 Village Savings and Loans Associations (VSLAs) in remote rural areas in the three Northern, Ashanti and Greater Accra regions. This three year project is being financed by the United Nations Capital Development Fund (UNCDF).

• The bank has also started a pilot with Akuafo Adanfo to extend its Agency Banking and auxiliary services to cocoa farmers in the Western and Ashanti regions of Ghana.

Building Lives Through Finance

Corporate Social Responsibility

Education and Child Development

• We renewed our sponsorship of the Fidelity House at the SOS Children's Village in Tema, and some staff went to Tema on a few occasions, including Christmas time, to fete the children and interact with them.

• We also constructed an ultra modern E-learning Centre, fully equipped with computers, wifi, printers and other peripherals at the Princess Marie-Louise Hospital at the tune of approximately GHS 40,000.

• To crown off the year, in celebration of our successful merger with ProCredit Ghana, Fidelity held an unprecedented countrywide Christmas donation drive, which saw staff from all 75 branches of both institutions donate over 20 extra large jute bags of non-perishable food items, rice, oil, clothes, drinks, toiletries, books, toys

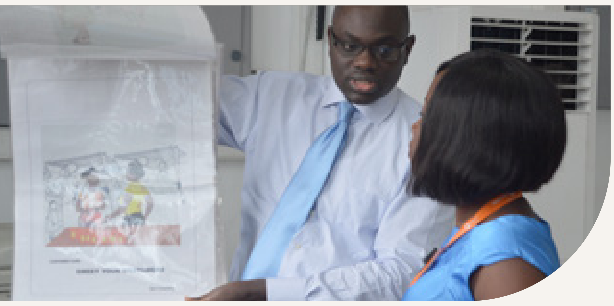
and a host of other items. Staff also contributed generously to a fund that was setup, and indeed the cash and in-kind donations were so overwhelming that there had to be a split between two institutions. Donations of cash and items were made to the New Life Orphanage at Nungua and the Home for Women and Children (HOMWAC) at Mallam Atta Market. Fidelity Bank staff were present during the donations to eat, drink and dance with beneficiary children.

• Fidelity also donated GHS 50,000 to the Asantehene, Otumfuo Osei Tutu II, towards the 15th anniversary celebration of his enstoolment and in recognition of the great strides he has made in support of education.

Income Generation and Employment for Youth

• Under Income Generation and Employment for Youth, Fidelity's Graduate Trainees conducted financial literacy and business development skills training for young female dressmakers, hairdressers and other artisans, who are beneficiaries of the Vocational Training for Females (VTF) programme at Osu.

• Fidelity also partnered with the Kayaye Association to extend financial literacy training and open Smart Accounts and Agencies for Kayaye at the Agogbloshie market.



Women and Health

• The vast majority of the beneficiaries of Fidelity's rural partnership projects are women. This is keeping in line with Fidelity's aim to ensure gender mainstreaming in all of our CSR projects.

• All Fidelity's market storms with GIZ and other financial literacy activities were accompanied by free health screen for the beneficiary communities.

Going forward, Fidelity, as a home-grown establishment rooted in the spirit of world-renowned Ghanaian hospitality and brotherliness, has unswervingly put in place measures to facilitate staff volunteerism to causes of staff choice. As well, the bank is committed to undertaking institutional projects and activities all within the vein of improving the lot of the average Ghanaian and moving Ghana forward from a lower to an upper middle income country.

2014 Financial Statement

Chairman's Statement

Distinguished Shareholders,

It is with great pleasure that I present to you, the performance of your bank for the year ended 31st December, 2014; a year in which your Bank continued to pursue its strategy of being in the league of the top banks in Ghana. I can proudly say that the Bank has been able to deliver very strong results despite the macroeconomic challenges.

Operating Environment

The global economy continued to expand at a moderate pace estimated at 2.6% in 2014 compared to 2.5% in 2013 as reported by the World Bank. The level of global recovery was, however, weak and at an uneven pace across regions due to unexpected shocks, such as heightened geopolitical conflicts in different parts of the world. Whereas growth in the United States and United Kingdom advanced, that of the Euro zone and Japan remained stagnant; accounting for more than half of downward revisions to global growth in 2014. Growth in many developing countries was also at a slower pace than in the previous year mainly due to export weaknesses and global financial tightening; but overall, emerging markets and developing countries continued to contribute more than two-thirds of global growth.

Provisional estimates released by the Ghana Statistical Service (GSS) put real GDP growth at 4.2% in 2014 compared to 7.3% in 2013. The deceleration in economic activity during 2014 was broadly attributed to energy supply constraints, depreciating currency, rising inflation, wide current account deficit, gaping fiscal deficit and rising debt levels.

Consumer price levels saw an upward trend in the year 2014 increasing from year end position of 13.5% in 2013 to 17% in December 2014, fuelled by the depreciation of the local currency, withdrawal of petroleum subsidies and utility tariff increases. Interest rates on all Government of Ghana Securities broadly trended upwards in the year under review to make cedi investments attractive to stem the tide against the rapid depreciation of the cedi.

On the foreign exchange market, stability was restored during the second half of 2014, following sharp depreciation in the first three months of 2014. The cumulative depreciation for the year therefore was 32.5% compared to 14.7% in 2013.

The above mentioned conditions no doubt, impacted negatively on both Business & Consumer confidence as reflected in the indices published by the Central Bank. These conditions notwithstanding, the bank performed considerably well through a combination of prudent cost management practices, steady growth in low cost deposits and improved asset portfolio yield.

2014 Financial Performance

In line with our stated vision of creating value for all our stakeholders, your Bank registered an improved performance for 2014 relative to 2013. The Bank recorded a growth in balance sheet size of 79% to GH¢3 billion. Operating income was GH¢326 million which represented 67% growth over last year's.

The acquisition of ProCredit Savings and Loans Company Limited has enabled the bank to increase its footprint in the country, with an expanded network of 75 branches, and 109 ATMs (an increase of 24 and 34 respectively from the previous year). Our customer base has also increased from 485,000 to 621,829 helping to improve our deposit base by 31% to GH¢1.8 billion. It is worth noting that this growth was primarily driven by current and savings accounts.

As a result of the above, the bank recorded a 79% increase in profit before tax of GH¢112.5 million in 2014 compared to GH¢62.6 million in 2013.

Dividends

In line with Bank of Ghana's guidelines on the provision of reserves and receipts of additional capital, the Board is proposing the maximum allowable dividend of GH¢0.83 per share.

Chairman's Statement

Strategy

Technology innovation and market share growth remained the critical focal points for the Bank's strategy in 2014.

Both the Board and the management team acknowledged the need to take significant steps in furtherance of our proposition to becoming a top bank in Ghana. To this end, Fidelity Bank successfully acquired ProCredit Savings and Loans Company Limited ("ProCredit Ghana" or PCG).

On the technological innovation front, our partnership with IBM provides the enablers to deploying IT solutions to support our business growth plans and to capitalize on new and existing technologies. This will mean more convenient banking options for our clients and also help us gain a competitive advantage in the industry.

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

Throughout the 2014 financial year, we maintained most of the members of the Board of Directors of the Bank. Sadly, one of our distinguished Board members, Mr. P.V. Obeng, representing SSNIT, passed away in May 2014. As a result, a new SSNIT representative, Mrs. Akosua M. Nelson-Cofie was appointed effective 3rd November, 2014. We welcome her to the Board and look forward to her valuable support and contribution.

On a happier note, I would like to on behalf of the Board of Directors and Shareholders of Fidelity Bank Ghana Limited congratulate H.E. Mrs. Johanna Odonkor Svanikier on her appointment as Ambassador of Ghana to France and Portugal, Permanent Delegate to UNESCO and OIF. We wish her all the best in her new position.

Conclusion & Outlook for 2015

Global growth remained trapped in low gears but is expected to accelerate gradually with the implementation of growth supportive policies by countries.

On the domestic front, despite the economic turmoil in 2014, real GDP growth will be strong over the coming years, particularly in the medium term. Forthcoming IMF support will underpin investor confidence and rising oil & gas investment will provide a significant boost to the economy. However, the major risks to the outlook are the ongoing energy sector challenges and its likely impact on businesses and the extent of fiscal consolidation to ensure macroeconomic stability.

We at Fidelity have instituted measures to maintain an active role in Ghana's banking space in 2015 in spite of the challenges posed by the power supply bottlenecks in the economy. We believe that, by leveraging on your Bank's acquisition of ProCredit Ghana and the partnership with IBM, we have positioned the Bank strategically in terms of reach, to provide customers with convenient banking and excellent service delivery. This we are convinced will enhance our efforts at building a world-class, Top Tier bank in Ghana.

I wish to acknowledge the contribution of our Board, Management and staff to our success story so far and look forward to their continued support in rolling out our strategy in the coming year and beyond.

Thank you.

William Panford Bray
Chairman

Managing Director's Report

Distinguished Shareholders,

I am delighted to present to you, the performance of your bank for the 2014 financial year. After 8 years in operation, the Bank has strengthened its position as the 6th largest bank by asset size and this reinforces my confidence in our drive to be a Top Tier bank in Ghana.

Introduction

2014 has been an extremely challenging year for the industry. Slow and uneven growth in the Global economy negatively affected trade with the local economy and hence hampered income from trade transactions.

Even though the anticipated recovery from the Euro zone and other advanced economies was gaining momentum along with improving global stability, growth remained weak and uneven. Terrorism, geopolitical risks and the threat of Ebola also had its toll on the global economy in terms of reduced prices on the international commodities market, decreased inflows of capital and income from tourism.

Locally, the macroeconomic fundamentals were unfavorable in general. The country recorded the worst depreciation in the local currency in recent past in the year under review. Interest rates were generally high in the year mainly because of higher government borrowings on the local market. In addition, the erratic power supply slowed growth in the economy with the economy growing at an estimated rate of 4.1%, the lowest since the country started commercial oil production. The depreciation of the cedi, production bottlenecks and the removal of government subsidies on fuel and other utilities drove general price levels up.

Notwithstanding the above macroeconomic challenges, I am pleased to say that the bank managed to maneuver its way through and delivered strong results on all key performance indicators, generating additional value for stakeholders.

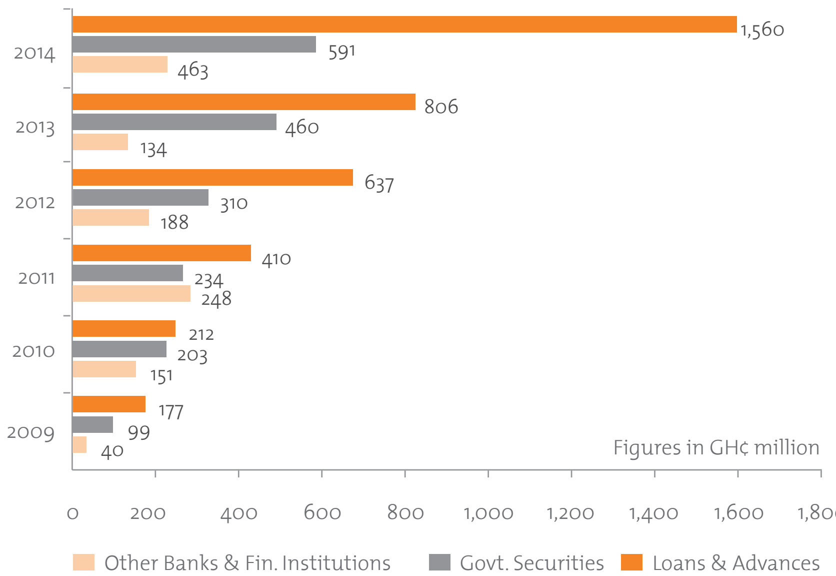
2014 Financial Performance

The Bank continued to deliver by exceeding most of the key targets set at the beginning of the year.

Balance Sheet

Over the period the bank grew its balance sheet size by 79% to close the year with an asset base of a little over GH¢3 billion. The growth in the assets of the bank was propelled by a 93% growth in Loans and advances to customers as well as 28% growth in investments in government securities. Interbank placements also increased by 246% to GH¢463 million. The increase in assets was funded mainly from increases in customer deposits and borrowings. Customer deposits for 2014 increased by 31% (40% in group deposits) to GH¢1.8 billion. In addition, the Bank borrowed GH¢191 million from Swedfund, FMO, and DEG. Equity more than doubled which increased the bank's capacity to invest in more earning assets.

Historic Breakdown of Major Asset Classes



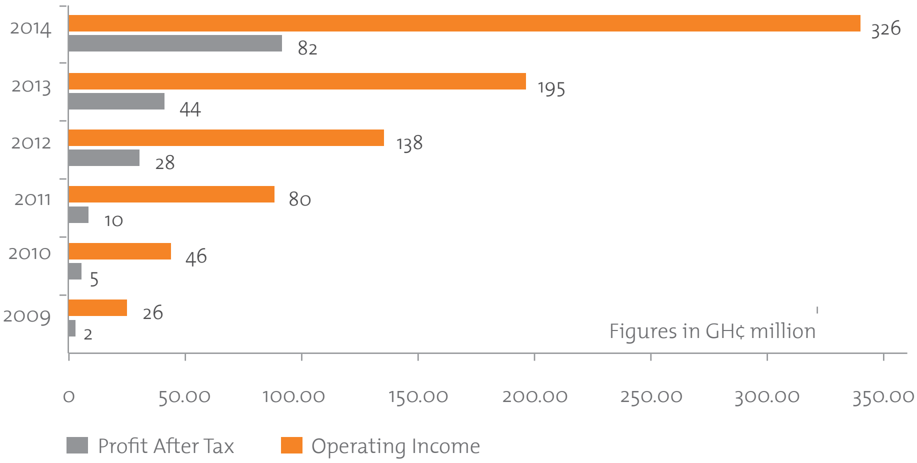
Income Statement Analysis

We delivered a significant improvement in financial performance of your bank. Profit increased by about 79% to GH¢112.5 million compared to GH¢63 million recorded in 2013. This was mainly driven by increased operating income. In the year under review, operating income was GH¢326 million, representing a growth of 67% over last year's figure of GH¢ 195 million. Growth in operating income was as a result of a 59% growth in net interest Income from GH¢117 million in 2013 to GH¢186 million in 2014. Growth in fees and commission on the other hand increased but was below expectation due to the shortage in foreign currency and decreased international trade activities in the year. Fees and commission grew by 21% to GH¢57 million compared to GH¢47 million in 2013.

Managing Director's Report

Effective cost savings notwithstanding the higher inflationary environment also supported the profit performance. Operating expense for the year came to 183 million, 57% above that of the previous year.

All of the above resulted in the bank exceeding its target profit after tax for the year by about 26%.



The net impact of our performance on the bottom line was a 79% increase in profit before tax of GH¢112.5 million; up from GH¢63 million profit last year.

Notable Events
For Fidelity Bank, 2014 was a remarkable year; we improved our internal processes substantially, enhanced the delivery of service to our customers and increased our footprint in the Ghanaian banking landscape. Some notable developments worth mentioning are:

Technology
In our quest to building a world class bank, the bank collaborated with IBM, a world class IT company, to provide the needed platform to serve our customers better and conveniently. Our partnership with IBM will support our business growth initiatives by creating a strong platform for deploying IT solutions and capitalizing on new and existing technologies. This I believe will aid us in offering our clients more convenient banking options and gain competitive advantage in the industry.

Fidelity Bank State-Of-The-Art Contact Centre
To help increase our customers' accessibility to us, the Bank invested in a new state-of-the-art software platform which increases our communication channels. The centre can now support voice calls, communication via data, web chats, email and very shortly, interaction through social media will be enabled.

Acquisition of ProCredit Savings & Loans Limited
Fidelity Bank successfully acquired 100% ownership of ProCredit Savings and Loans Company Limited in October 2014. The rationale behind the acquisition was to leverage the distribution network of ProCredit Ghana, and to enable Fidelity Bank enhance its SME offering by acquiring the strong SME platform, processes and credit methodology ProCredit is noted for. The acquisition was also an alternative to the organic growth process. Currently, an integration management team has been established by the bank to ensure a successful integration of the operations of the two organizations before the end of the 12th month post Bank of Ghana's approval.

Awards
The year 2014 saw the Bank being recognized for its tremendous performance with the following awards:

- CIMG Bank of the year
- CIMG Marketing Man of the Year (Managing Director)
- Best Bank in Ghana, EMEA Finance UK, Africa Banking Awards
- Oil and Gas Financial Services Provider of the year, Ghana Oil and Gas Awards (GOGA)
- Best Company, Financial Sector, Association of Ghana Industry (AGI) Awards
- Best Bank in Household Finance, Ghana Banking Awards
- Best Bank in Product Innovation, First Runner Up, Ghana Banking Awards

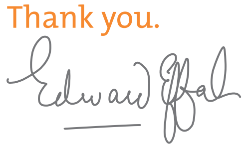
Staff Membership
Our staff remains an intrinsic part of the bank's growth and development. In line with this, in 2014, the permanent staff strength of the bank increased by 9% to 766 whilst our contract staff members decreased by 23% to 317.

Going forward as has always been the case; Fidelity Bank will be committed to ensuring the availability of well structured training and development modules to equip staff to build their capacity to deliver the bank's strategy.

Conclusion
We strongly believe that our aspirations to stay on course with our growth plans, along with offering a superior level of service to our customers remains highly achievable. The support of our Board, Shareholders, Management and staff still remains the foundation of our success and we know we can continue to count on this into the future.

We have made real progress in expanding our retail network and enhancing our processes and service delivery; we are poised to be a Top Tier Bank in Ghana.

Thank you.



Edward Effah
Managing Director

Directors' Report

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

The directors submit their report together with the audited financial statements of the Bank and its subsidiaries, together called the Group, for the year ended 31 December 2014.

Directors' responsibility statement

The Bank's directors are responsible for the preparation and fair presentation of the consolidated financial statements comprising the statement of financial position at 31 December 2014, the statement of comprehensive income, the statement of changes in equity, statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act 1963 (Act 179), the Banking Act, 2004 (Act 673) (as amended by the Banking (Amendment) Act, 2007 (Act 738).

The directors' responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern.

Principal activities

The company operates as a Bank under the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

Nature of business

The Bank is licensed to carry out universal banking business in Ghana, and there was no change in the nature of the Bank's business during the period.

Holding company

Fidelity Bank Ghana Limited, a company incorporated in Ghana, wholly owns Fidelity Securities Limited, Procredit Savings and Loans Limited (both incorporated in Ghana) and Fidelity Asia Bank Limited, a company incorporated in Malaysia.

Fidelity Securities Limited (FSL) is the investment banking arm of the Bank. FSL's business involves providing advisory services, issuance of securities and publishing analysis and reports concerning securities for clients.

Fidelity Asia Bank Limited (FABL) carries on the business of offshore banking.

Procredit Savings and Loans Limited (PCSL) is a non-bank financial institution that provides savings and lending services to its clients.

On 1 October 2014, the Bank acquired 100% of the voting shares of Procredit Savings and Loans Company Limited (PCSL) from ProCredit Holding Germany (PCH) and the DOEN Foundation of the Netherlands.

ProCredit Ghana was an SME-focused financial institution and part of the international ProCredit Group which is headquartered in Frankfurt, Germany. Operating in Ghana since 2002, it has extensive experience in supporting very small, small and medium-sized enterprises, and finances a wide range of business activities, including manufacturing and agriculture. It also provides banking services to private individuals and institutions. ProCredit Ghana prides itself on its excellent customer service, and on providing products and services tailored to its clients' needs. Today, ProCredit Ghana serves over 100,000 clients via its 24 business outlets and 30 ATMs across the country.

The Bank acquired ProCredit Ghana to accelerate its growth strategy and to support the SME sector, which is the engine of growth of any economy. The Bank has a strategic focus to provide services to all sectors of the market; from high-end to the unbanked, and the SME sector forms a vital part of its target market.

Directors' Report

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

Financial report and dividend

The results for the year are set out below	GROUP		BANK	
	2014	2013	2014	2013
Profit after tax (attributable to equity holders)	83,382	43,868	81,912	43,877
Income surplus account brought forward	8,646	6,349	8,127	5,821
	92,028	50,217	90,039	49,698
Transfer to statutory reserve fund	(40,956)	(21,961)	(40,956)	(21,961)
Transfer from/(to) regulatory credit risk reserve	1,809	(5,065)	1,809	(5,065)
Ordinary share dividend paid for 2013	(8,042)	(5,693)	(8,042)	(5,693)
Preference share dividend paid for 2014	(13,873)	(8,852)	(13,873)	(8,852)
Balance to be carried forward	30,966	8,646	28,977	8,127

The directors recommend the payment of a dividend of GH¢0.83 per share (2013: GH¢0.46).

Auditor

In accordance with Section 134(5) of the Companies Act, 1963 (Act 179), the auditors, Messrs. PricewaterhouseCoopers (PwC), will continue as auditors of the Bank.

The consolidated financial statements of the Bank were approved by the Board of Directors on 25th March, 2015 and signed on their behalf by:

BY ORDER OF THE BOARD

William Panford Bray
Chairman

Edward Effah
Managing Director

Corporate Governance

Commitment to Corporate Governance

Fidelity Bank Ghana Limited and its Subsidiaries operate in accordance with the Fidelity Group principles and practices on corporate governance. These principles and practices are guided by the Basel Committee standards on corporate governance which constitutes the best of international practice in this area.

The key guiding principles of the Group's governance practices are:
i. good corporate governance enhances shareholder value;
ii. the respective roles of shareholders, Board of Directors and Management in the governance architecture should be clearly defined; and
iii. the Board of Directors should have majority membership of independent directors, defined broadly as directors who are not employed by the Group or Company, or who are not affiliated with organisations with significant financial dealings with the Group.

These principles have been articulated in a number of corporate documents, including the company regulations, a corporate governance charter, rules of procedures for Board, a code of conduct for directors and rules of business ethics for staff.

The Board of Directors

The Board is responsible for setting the institution's strategic direction, leading and controlling the institution and monitoring activities of the executive management.

As of 31 December 2014, the Board of Directors of Fidelity Bank Ghana Limited, consisted of ten members made up of an independent Non Executive Chairman, six (6) Non-Executive Directors, all of whom are independent and three (3) Executive Directors. The board members have wide experience and in-depth knowledge in management, industry and financial and capital markets which enables them to make informed decisions and valuable contributions to the Group's progress. The Board met four times during the year.

The Board has delegated various aspects of its work to its Risk and Audit, Credit and Remuneration and Staff Welfare Committees in order to strengthen its corporate governance and bring it in line with international best practice with the following membership and functions:

Risk and Audit Committee

Mr. Kwamina Duker	Chairman
Dr. William Panford Bray	Member
Mr. Laurent Demey	Member

The Risk and Audit Committee is made up of non-executive directors and performs the following functions among others:
• nominates the auditors of the Bank for approval by shareholders;
• review of compliance with company policies;
• review of the external auditors report; and
• review of internal controls and systems.

Credit Committee

Dr. William Panford Bray	Chairman
Mr. Kwamina Duker	Member
Mr. Jacob Hinson	Member

The Credit Committee is made up of non-executive directors and performs the following functions among others:

• considers and approves credit exposures which exceed the approval limit of management's credit committee;
• sets and reviews lending limits for various levels of authorisation;
• considers and approves inter-bank lending; and
• considers and approves facilities referred to it by the management credit committee.

Remuneration and Staff Welfare Committee

H.E. Mrs. Johanna Svanikier	Chairman
Mr. E. Barima Manu	Member
Mr. Jim Baiden	Member
Mr. Alex Dodoo	Member

The Remuneration and Staff Welfare Committee's main responsibility includes proposing and making recommendations on human resource issues and matters relating to terms and appointment of senior management and staff of the Bank.

The Board has adopted standard evaluation tools to help assess annually the performance of the Board, its committees and individual members.

Code of Conduct

As part of the Bank's corporate governance practice, management has communicated the principles of the Bank's code of conduct to all employees. The code of conduct provides a basic framework and guidance for behaviours and business conduct. The code of conduct also serves as a reference point in all aspects of employee's working relationships with other employees, customers, suppliers, government officials, regulators, joint venture partners, competitors and the broader community.

Anti-Money Laundering

The bank has established an anti-money laundering system in compliance with the requirements of Ghana's Anti-Money Laundering Act 2008 [Act 749]. These include due diligence for opening new accounts, customer identification, monitoring of high risk accounts, record keeping and training of staff on money laundering which assists in reducing regulatory and reputational risk to its business.

Report Of The Independent Auditor

To The Members Of Fidelity Bank Ghana Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Fidelity Bank Ghana Limited (the Bank) and its subsidiaries (together, the Group), as set out on pages 32 to 96. These financial statements comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, together with the statement of financial position of the Bank standing alone as at 31 December 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of the consolidated financial statements for the financial year, which give a true and fair view of the state of affairs of the group, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738) and for such internal control, as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

REPORT ON OTHER LEGAL REQUIREMENTS

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

(i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii) in our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books; and
iii) the consolidated statement of financial position and consolidated statement of comprehensive income are in agreement with the books of account.

In accordance with section 78(2) of the Banking Act 673, 2004 we hereby confirm that:

i) we were able to obtain all the information and explanations required for the efficient performance of our duties as auditors;
ii) in our opinion, the accounts give a true and fair view of the state of the Bank's affairs and its results for the year under review;
iii) in our opinion, the Bank's transactions were within its powers; and
iv) the Bank in all material respects complied with the requirements of the Banking Act, 2004 (Act 673) as amended.

PricewaterhouseCoopers
(ICAG/F/028)
Chartered Accountants
Signed by: Michael Asiedu-Antwi
(ICAG/P/1138)
Accra, Ghana
30th March, 2015

Consolidated Statement Of Comprehensive Income

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

Year ended 31 December 2014

	Notes	GROUP 2014	GROUP 2013	BANK 2014	BANK 2013
Interest income	6	361,172	252,886	352,566	253,345
Interest expense	7	(167,278)	(134,582)	(166,324)	(135,938)
Net interest income		193,894	118,304	186,242	117,407
Fee and commission income	8	60,245	48,084	57,442	47,391
Fee and commission expense	9	(3,764)	(1,069)	(3,535)	(1,069)
Net fee and commission income		56,481	47,015	53,907	46,322
Other operating income	10	86,349	31,792	85,878	31,690
Operating income		336,724	197,111	326,027	195,419
Operating expenses	11	(191,730)	(117,680)	(182,709)	(116,131)
Impairment charge on loans and advances	12	(30,707)	(16,709)	(30,841)	(16,709)
Profit before income tax and national fiscal stabilisation levy		114,287	62,722	112,477	62,579
Income tax expense	13	(25,188)	(17,280)	(24,941)	(17,137)
National fiscal stabilisation levy	13	(5,717)	(1,574)	(5,624)	(1,565)
Profit for the year		83,382	43,868	81,912	43,877
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss					
Net change in value of available for sale investment securities	31	(10,541)	4,015	(10,540)	4,015
Loss on re-measuring to fair value the existing interest in equity investment	19	(47)	(72)	(47)	44
Currency translation differences on foreign subsidiary	31	4,518	1,178	-	-
Total other comprehensive income		(6,070)	5,121	(10,587)	4,059
Total comprehensive income for the year		77,312	48,989	71,325	47,936
Attributable to owners of the parent		77,312	48,989	71,325	47,936
Total comprehensive income for the year		77,312	48,989	71,325	47,936
Earnings per share					
Basic/diluted earnings per share (GH¢)	28	3.57	2.48	3.51	2.48

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 14.

The accompanying notes on pages 39 to 96 form an integral part of these consolidated financial statements.

Consolidated Statement Of Financial Position

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

At 31 December 2014

	Notes	GROUP 2014	GROUP 2013	BANK 2014	BANK 2013
Assets					
Cash and balances with Bank of Ghana	15	253,309	183,360	247,390	183,356
Government securities	16	593,846	460,812	590,852	460,337
Due from other banks and financial institutions	17	463,783	124,563	463,377	134,486
Loans and advances to customers	18	1,661,004	827,177	1,559,530	805,967
Investment in other equities	19	57	104	57	104
Investment in subsidiaries	20	-	-	45,007	8,264
Other assets	21	58,350	35,515	57,326	37,270
Deferred income tax asset	14	8,901	4,752	8,055	4,752
Property and equipment	22	82,618	43,376	40,606	43,228
Intangible assets	23	12,124	11,952	8,083	11,906
Non current assets held for sale	24	1,011	-	-	-
Total assets		3,135,003	1,691,611	3,020,283	1,689,670
Liabilities					
Customer deposits	25	1,892,651	1,355,728	1,777,313	1,355,980
Due to other banks		375,428	58,568	404,229	58,568
Borrowings	26	325,275	82,591	310,827	82,591
Other liabilities	27	146,762	36,021	140,964	35,716
Current income tax liability	13	2,208	2,834	2,124	2,812
Total liabilities		2,742,324	1,535,742	2,635,457	1,535,667
Equity					
Stated capital	29	264,486	83,073	264,486	83,073
Statutory reserves	30	86,038	45,082	86,038	45,082
Other Reserves	31	3,444	9,514	(2,420)	8,167
Regulatory credit risk reserve	32	7,745	9,554	7,745	9,554
Income Surplus Account	33	30,966	8,646	28,977	8,127
Total equity		392,679	155,869	384,826	154,003
Total liabilities and equity		3,135,003	1,691,611	3,020,283	1,689,670

The accompanying notes on pages 39 to 96 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 32 to 96 were approved by the Board of Directors on 25th March, 2015 and signed on its behalf by:

BY ORDER OF THE BOARD

William Panford Bray
Chairman

Edward Effah
Managing Director

Consolidated Statement Of Changes In Equity

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

GROUP

Year ended 31 December, 2013	Stated capital	Statutory reserves	Other reserves	Regulatory credit risk reserve	Income surplus account	Total equity
Balance at 1 January 2013	83,073	23,121	4,393	4,489	6,349	121,425
Profit for the year	-	-	-	-	43,868	43,868
Net change in fair value of equity instruments	-	-	(72)	-	-	(72)
Change in fair value of available for sale investment securities after tax	-	-	4,015	-	-	4,015
Foreign currency translation differences on foreign subsidiary	-	-	1,178	-	-	1,178
Total comprehensive income	**-**	**-**	**5,121**	**-**	**43,868**	**48,989**
Transfer to Statutory reserve	-	21,961	-	-	(21,961)	-
Transfer to regulatory credit risk reserve	-	-	-	5,065	(5,065)	-
Dividend paid (ordinary shares)	-	-	-	-	(5,693)	(5,693)
Dividend paid (preference shares)	-	-	-	-	(8,852)	(8,852)
Total transactions with owners	-	21,961	-	5,065	(41,571)	(14,545)
Balance at 31 December 2013	83,073	45,082	9,514	9,554	8,646	155,869

The accompanying notes on pages 39 to 96 form an integral part of these consolidated financial statements.

Consolidated Statement Of Changes In Equity

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

GROUP

Year ended 31 December, 2014	Stated capital	Statutory reserves	Other reserves	Regulatory credit risk reserve	Income surplus account	Total equity
Balance at 1 January 2014	83,073	45,082	9,514	9,554	8,646	155,869
Profit for the year	-	-	-	-	83,382	83,382
Change in fair value of available for sale investment securities after tax	-	-	(10,541)	-	-	(10,541)
Change in fair value of available for sale investment securities after tax	-	-	(47)	-	-	(47)
Foreign currency translation differences on foreign subsidiary	-	-	4,518	-	-	4,518
Total Comprehensive income	-	-	(6,070)	-	83,382	77,312
Transfer to statutory reserve	-	40,956	-	-	(40,956)	-
Transfer to regulatory credit risk reserve	-	-	-	(1,809)	1,809	-
Proceeds from ordinary share issue	127,459	-	-	-		127,459
Proceeds from preference share issue	53,954	-	-	-	-	53,954
Dividend paid (ordinary shares)	-	-	-	-	(8,042)	(8,042)
Dividend paid (preference shares)	-	-	-	-	(13,873)	(13,873)
Total transactions with owners	181,413	40,956	-	(1,809)	(61,062)	159,498
Balance at 31 December 2014	264,486	86,038	3,444	7,745	30,966	392,679

The accompanying notes on pages 39 to 96 form an integral part of these consolidated financial statements.

Consolidated Statement Of Changes In Equity

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

BANK

Year ended 31 December, 2013	Stated capital	Statutory reserves	Other reserves	Regulatory credit risk reserve	Income surplus account	Total equity
Balance at 1 January 2013	83,073	23,121	4,108	4,489	5,821	120,612
Profit for the year	-	-	-	-	43,877	43,877
Net change in fair value of equity instruments	-	-	44	-	-	44
Change in fair value of available for sale investment securities after tax	-	-	4,015	-	-	4,015
Total comprehensive income	-	-	4,059	-	43, 877	47,936
Transfer to statutory reserve	-	21,961	-	-	(21,961)	-
Transfer from regulatory credit risk reserve	-	-	-	5,065	(5,065)	-
Dividend paid (ordinary shares)	-	-	-	-	(5,693)	(5,693)
Dividend paid (preference shares)	-	-	-	-	(8,852)	(8,852)
Total transactions with owners	-	21,961	-	5,065	(41,571)	(14,545)
Balance at 31 December 2013	83,073	45,082	8,167	9,554	8,127	154,003

The accompanying notes on pages 39 to 96 form an integral part of these consolidated financial statements.

Consolidated Statement Of Changes In Equity

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

BANK

Year ended 31 December, 2014	Stated capital	Statutory reserves	Other reserves	Regulatory credit risk reserve	Income surplus account	Total equity
Balance at 1 January 2014	83,073	45,082	8,167	9,554	8,127	**154,003**
Profit for the year	-	-	-	-	81,912	**81,912**
Net change in fair value of equity instruments	-	-	(47)	-	-	**(47)**
Change in fair value of available for sale investment securities after tax	-	-	(10,540)	-	-	**(10,540)**
Total comprehensive income	-	-	(10,587)	-	81,912	**71,325**
Transfer to statutory reserve	-	40,956	-	-	(40,956)	**-**
Transfer from regulatory credit risk reserve	-	-	-	(1,809)	1,809	**-**
Proceeds from preference share issue	53,954	-	-	-	-	**53,954**
Proceeds from ordinary share issue	127,459	-	-	-	-	**127,459**
Dividend paid (ordinary shares)	-	-	-	-	(8,042)	**(8,042)**
Dividend paid (preference shares)	-	-	-	-	(13,873)	**(13,873)**
Total transactions with owners	181,413	40,956	-	(1,809)	(61,062)	**159,498**
Balance at 31 December 2014	264,486	86,038	(2,420)	7,745	28,977	**384,826**

The accompanying notes on pages 39 to 96 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flow

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

	Notes	GROUP 2014	GROUP 2013	BANK 2014	BANK 2013
Cash flows from operating activities					
Profit before income tax		114,287	62,722	112,477	62,579
Adjustments:					
Depreciation	22	8,168	6,964	7,385	6,911
Amortisation	23	5,892	3,063	5,752	3,049
Impairment charge on loans and advances	12	30,835	17,016	30,969	17,016
Profit on disposal of property and equipment	22	(123)	(2)	(138)	-
Exchange difference on borrowings	26	38,881	7,163	38,881	7,163
Operating cash flow before investment in working capital		197,940	96,926	195,326	96,718
Changes in loans and advances to customers	18	(742,281)	(190,469)	(778,818)	(186,221)
Changes in other assets	21	(22,620)	(14,339)	(16,253)	(16,239)
Changes in customer deposits	25	429,370	252,460	421,333	256,543
Changes in mandatory reserve deposits	15	(71,350)	(23,089)	(71,350)	(23,089)
Changes in other liabilities	27	91,864	6,867	90,107	6,310
Tax paid	13	(25,823)	(19,540)	(25,418)	(19,397)
Increase in operating assets and liabilities		(340,840)	11,890	(380,399)	17,907
Net cash flow generated from/(used in) operating activities		(142,900)	108,816	(185,073)	114,625
Cash flow from investing activities					
Purchase of property and equipment	22	(6,820)	(27,613)	(4,763)	(27,535)
Purchase of intangible assets	23	(2,035)	(6,726)	(1,929)	(6,695)
Proceeds on asset disposal	22	168	2	138	-
Purchase of government securities	16	114,601	(193,678)	117,004	(193,203)
Investment in subsidiaries	20	(31,703)	-	(36,743)	(1,880)
Disinvestment in other equity	19	-	13	-	13
Net cash flow generated from/(used in) investing activities		74,211	(228,002)	73,707	(229,300)
Cash flow from financing activities					
Proceeds from ordinary share issue	29	127,460	-	127,460	-
Proceeds from preference share issued	29	53,953	-	53,953	-
Dividends paid		(21,915)	(14,545)	(21,915)	(14,545)
Repayment of borrowings	26	(28,688)	(17,681)	(28,688)	(17,681)
Drawdown on borrowings	26	222,992	47,905	218,043	47,905
Net cash flow generated from financing activities		353,802	15,679	348,853	15,679
Increase/(decrease) in cash and cash equivalents		285,113	(103,507)	237,487	(98,996)
Analysis of changes in cash and cash equivalents					
Cash and cash equivalents at 1 January		168,572	270,901	178,491	277,487
Gain on currency translation of foreign subsidiary		4,518	1,178	-	-
Change in cash and cash equivalents		285,113	(103,507)	237,487	(98,996)
Cash and cash equivalents at 31 December 2014	34	458,203	168,572	415,978	178,491

The accompanying notes on pages 39 to 96 form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Fidelity Bank Ghana Limited (FBGL) is a limited liability company, incorporated and domiciled in Ghana. The registered office is located at Ridge Tower, 10 Ambassadorial Enclave, West Ridge, Accra. FBGL operates under the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738). The consolidated financial statements of FBGL for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 25th March 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Additional information required by the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738) have been included, where appropriate. These consolidated financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss, which have been measured at fair value.
The financial statements comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flow and related notes. The financial statements of the Bank standing alone comprises the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flow and related notes.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements are presented in Ghana cedis, which is the Bank's functional and presentation currency. The figures shown in the financial statements are stated in thousands of Ghana cedis.

The disclosures on risks from financial instruments are presented in the financial risk management report contained in Note 3.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(i) (a) New standards, amendments and interpretations adopted by the group

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014 and have a material impact on the group:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The group has applied the amendment and there has been no significant impact on the group financial statements as a result.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and

interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the group.

(ii) New standards, amendments and interpretations not yet adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Fidelity Bank Ghana Limited and its subsidiaries as at 31 December 2014.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

The Bank applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Bank. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Bank recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at fair value. However, non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are recognised at either fair value or proportionate share of the recognised amounts of acquiree's identifiable net assets.
Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Bank's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Bank ceases to control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Bank had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Investment in associate

Associates are all entities over which the Bank has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The Bank's investment in associates includes goodwill identified on acquisition.
If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.
The Bank's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount.
Profits and losses resulting from upstream and downstream transactions between the Bank and the associates are recognised in the Bank's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising in investments in associates are recognised in profit or loss.

2.3 Foreign currency translation

(a) Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (`the functional currency'). The financial statements are presented in 'Ghana cedi' (GH¢), rounded to the nearest thousand.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within `finance income or costs'. All other foreign exchange gains and losses are presented within `Other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

Year end exchange rates applied are GH¢3.2001 to the US dollar, GH¢3.8959 to the Euro, and GH¢4.9791 to the Pound Sterling.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

2.4 Revenue Recognition

Revenue is derived substantially from banking business and related activities and comprises net interest income and non-interest income. Income is recognised on an accrual basis in the period in which it accrues.

2.4.1 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 on an accrual basis using the effective interest method. The effective interest rate 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.

2.4.2 Fee and commission income

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

(a) 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 recognised as an adjustment to the effective interest rate on the loan.

(b) 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 other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Fee and commission expense relates mainly to transaction and service fees which are expensed as the services are rendered.

2.4.3 Dividend income

Dividend income is recognised when the Bank's right to receive the payment is established.

2.4.4 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.

2.5 Financial assets and liabilities

2.5.1 Date of recognition

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

2.5.2 Initial recognition of financial instruments

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale financial assets. The directors determine the classification of its financial assets at initial recognition. The Bank uses trade date accounting for regular way contracts when recording financial asset transactions.

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 or loss, any directly attributable incremental costs of acquisition or issue.

(i) Financial assets and liabilities held for trading

Financial assets or financial liabilities held for trading other than derivatives are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recognised 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.

(ii) 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 recognised 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 documented 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 consolidated statement of financial position 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.

(iii) Held to maturity financial instruments

Held to maturity financial instruments 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 amortisation is included in 'interest income' in the consolidated statement of comprehensive income. The losses arising from impairment of such investments are recognised in the consolidated statement of comprehensive income line 'Impairment losses on financial investments'.

(iv) Loans and advances

Loans and advances 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, loans and advances 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 amortisation is included in 'Interest income' in the consolidated statement of comprehensive income. The losses arising from impairment are recognised in the consolidated statement of comprehensive income in 'Impairment charge on loans and advances'.

(v) 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. Unrealised gains and losses are recognised 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 recognised in the consolidated statement of comprehensive income 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 recognised in the consolidated statement of comprehensive income as 'Interest income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the consolidated statement of comprehensive income in 'Impairment losses on financial investments' and removed from the available-for-sale reserve.

(vi) 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.

2.5.3 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the reporting dates.

The Bank uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Bank uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models such as present value techniques are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The Bank uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the Bank's credit spreads widen, the Bank recognises a gain on these liabilities because the value of the liabilities has decreased. When the Bank's credit spreads narrow, the Bank recognises a loss on these liabilities because the value of the liabilities has increased.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Bank holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, related controls and procedures applied, the directors believe that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.5.4 De-recognition 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 derecognised 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 recognised 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 derecognised 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 recognised in profit or loss.

2.5.5 Reclassification of financial assets

The Bank may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

On reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives are re-assessed, and if necessary separately accounted for.

2.5.6. Repurchase and reverse repurchase agreements

Securities may be lent subject to a commitment to repurchase it at a specified date ('a repo'). Such securities are not derecognised but retained on the statement of financial position when substantially all the risks and rewards of ownership remain with the Bank. Any cash received, including accrued interest, is recognised 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 at a specified date (a 'reverse repo') is not recognised on the consolidated statement of financial position 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.

2.5.7. Impairment of financial assets

The Bank assesses at each balance sheet date 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 reorganisation 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 consolidated statement of comprehensive income.

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 Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. 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 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 instruments

For held-to-maturity instruments 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 consolidated statement of comprehensive income.

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 instruments, 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 consolidated statement of comprehensive income. Reversals of impairment of equity shares are not recognised in the consolidated statement of comprehensive income. 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 consolidated statement of comprehensive income 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 consolidated statement of comprehensive income.

2.5.8. Offsetting financial instruments

Netting, where financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position, 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 consolidated statement of financial position.

2.6. Collateral

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 consolidated statement of financial position. Collateral received in the form of cash is recorded on the consolidated statement of financial position 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.

2.7. Leases

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 Bank's statement of financial position 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 consolidated statement of financial position. Rentals payable are recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term unless another systematic basis is more appropriate, and included in 'Other operating expenses'.

2.8. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. 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 and amounts due from other banks and dealing securities.

2.9. Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

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

Depreciation

Depreciation is charged to profit or loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with IFRS 5.

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

Leasehold buildings and improvements	shorter of ten years or the unexpired lease period
Motor vehicles	4 years
Computers : hardware	4 years
Furniture and equipment	4 years
Machinery	4 years

Depreciation methods, useful lives and residual values are re-assessed at each reporting date.

De-recognition

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

2.10. Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

• it is technically feasible to complete the software product so that it will be available for use;
• management intends to complete the software product and use or sell it;
• there is an ability to use or sell the software product;
• it can be demonstrated how the software product will generate probable future economic benefits;
• adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
• the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditure that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

2.11. 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. These financial guarantees are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

The fee and commission income receivable on these financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given, in 'Other liabilities' and recognised in the consolidated statement of comprehensive income in 'Fees and commission income' on a straight line basis over the life of the guarantee.

2.12. Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

2.13. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.14. Employee benefits

i. Defined contribution plans
Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss when they are due.

ii. Termination benefits
Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

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

2.15. Income tax

Current income 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 Ghana Revenue Authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

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

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

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

Deferred and current tax assets and liabilities are only offset 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.

2.16. Stated capital

i. Ordinary shares
Ordinary shares are classified as 'stated capital' in equity.

ii. Dividend on ordinary shares
Dividends on the Bank's ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Bank's

shareholders.

2.17. Preference shares

i. Preference shares
Preference shares are classified as equity. These are non-voting, irredeemable and non-cumulative. The holders have the option of converting into ordinary shares as stated in the agreement.

ii. Dividend on preference shares
Dividends on the Bank's preference shares are recognised in equity in the period in which they are paid.

3. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview
The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

(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), Management Risk and Control Committee (MRCC), Asset and Liability Management Committee (ALCO) and Risk Management Department, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All Board committees 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.

Through its risk management structure, the Bank seeks to manage efficiently the core risks to which it is exposed: credit, liquidity and market risks, which arise directly through the Bank's commercial activities; and compliance, regulatory, and operational risks, which are normal consequences of any business undertaking.

3.1 Credit risk management

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancements, financial guarantees, letters of credit, endorsements and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single largest risk for the Bank's business; the directors therefore carefully manage the exposure to credit risk. The credit risk management and control are centralised in a credit risk management team headed by the Chief Risk Officer, which reports to the Board of Directors and head of each business unit regularly.

The Bank has well documented policies and procedures for managing credit risk. The policies arebased on the principle of: Management responsibility; Defined credit approval authorities; Set standards for risk management; Consistent approach to origination of credit, documentation and problem recognition; and Portfolio management strategies.

The risk that counterparties might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the bank deals with counterparties of good credit standing and for which in its assessment the transactions are appropriate and risks understood by the counterparty.

3.1.1 Credit risk measurement

Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Bank has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loans and advances at a counterparty level, the Bank considers three components: (i) the 'probability of default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default' (EAD); and (iii) the likely recovery ratio on the defaulted obligations (which determines the 'loss given default') (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

(i) Probability of default
The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment. They are validated, where appropriate, by comparison with externally available data.

(ii) Exposure at default ("EAD")
EAD is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan, this is the face value. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default/loss severity

Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

The measurement of exposure at default and loss given default is based on the risk parameters standard under Basel II.

3.1.2 Risk limit control and mitigation policies

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved annually by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Some other specific control and mitigation measures are outlined below:

(a) Collateral
The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

(b) Lending limits (for derivatives and loan books)

The Bank maintains strict control limits on net open derivative positions (that is, the difference between purchase and sale contracts) by both amount and term. The amount subject to credit risk is limited to expected future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not always obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day.

(c) Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities of the statement of financial position, as transactions are either usually settled on a gross basis or under most netting agreements the right of set off is triggered only on default. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(d) Financial covenants (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards (often referred to as financial covenants).

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(e) Impairment and provisioning policies

Loans are designated as impaired and considered non-performing where recognised weakness indicates that full payment of either interest or principal becomes questionable or as soon as payment of interest or principal is 90 days or more overdue. Where any amount is considered uncollectible, an individual impairment provision is raised, being the difference between the loan carrying amount and the present value of estimated future cash flows. In any decision relating to the raising of provisions, the bank attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews. Where it is considered that there is no realistic prospect of recovering an element of an account against which an impairment provision has been raised, then that amount will be written off.

A portfolio impairment provision is also held to cover the inherent risk of losses, which, although not identified, are known through experience to be present in the loan portfolio. The provision is estimated by using the historical loss rate, the migration or incident rate and the balance of the performing loan portfolio.
The portfolio impairment provision is set with reference to past experience using loss rates, and judgmental factors such as the economic environment and the trends in key portfolio indicators.

(f) Write-off policy

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Bank determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Before September 2014, loans were written offin accordance withsection 43(4) of the Banking Act 2004, Act 673. However, after September 2014, loan write off is as per BOG Directive BG/GOV/SEC/2014/11.

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

3.1.3 Maximum exposure to credit risk before collateral held

Maximum exposure	2014	2013
Credit risk exposures relating to on balance sheet assets are as follows:		
Cash and balances with Bank of Ghana	175,252	134,425
Government securities	590,852	460,337
Due from other banks and financial institutions	463,377	134,486
Loans and advances to customers	1,559,530	805,967
Other assets	57,326	37,270
	2,846,337	1,572,485
Credit risk exposures relating to off balance sheet items are as follows		
Financial guarantees	309,565	173,779
At 31 December	3,155,902	1,746,264

The above table represents a worse case scenario of credit risk exposure to the Bank at 31 December 2014, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As shown above, 50% (2013: 45%) of the total maximum exposure is derived from loans and advances and investments held in government securities represents 19% (2013: 26%)

At 31 December 2014, 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:

BANK	2014 Loans & advances to customers	2014 Due from banks & financial institutions	2013 Loans & advances to customers	2013 Due from banks & financial institutions
Neither past due nor impaired	1,479,431	463,377	696,388	134,486
Past due but not impaired	78,987	-	102,864	-
Individually impaired	40,480	-	47,855	-
Gross	1,598,898	463,377	847,107	134,486
Less allowance for impairment	39,368	-	41,140	-
Net amount	1,559,530	463,377	805,967	134,486

(i) Neither past due nor impaired
The quality of credit exposure to customers and banks and other financial institutions that were neither past due nor impaired were assessed with reference to the Bank of Ghana credit grading guidelines adopted by the Group for its internal grading purposes.

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

Loans and advances
Loans and advances graded current are not considered past due nor impaired

This category is made up as follows:

2014	Term loans	Overdrafts	Staff loans	Total
Grade:				
Current	1,211,536	301,121	7,254	1,479,431

2013	Term loans	Overdrafts	Staff loans	Total
Grade:				
Current	507,191	176,942	12,255	696,388

Due from banks and other financial institutions
Based on the Bank's internal assessment, the credit exposure to banks and other financial institutions are not impaired.

(ii) Loans and advances past due but not impaired
Loans and advances graded internally as current and OLEM may be past due but are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

2014	Term loans	Overdrafts	Staff loans	Total
Past due up to 30 days	71,831	2,017	16	73,864
Past due 30 to 60 days	191	7	-	198
Past due 60 to 90 days	3,685	1,240	-	4,925
Total	75,707	3,264	16	78,987

2013	Term loans	Overdrafts	Staff loans	Total
Past due up to 30 days	8,895	4,525	28	13,448
Past due 30 to 60 days	1,804	1,213	-	3,017
Past due 60 to 90 days	77,662	8,737	-	86,399
Total	88,361	14,475	28	102,864

(iii) Individually impaired loans
The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the bank as security, are as follows:

2014	Term loans	Overdrafts	Staff loans	Total
Individual impaired loans	30,701	9,779	-	40,480
Collectively impaired loans	1,256,542	294,606	7,270	1,558,418
Impairment allowance	(27,442)	(11,576)	(350)	(39,368)
Total	1,259,801	292,809	6,920	1,559,530
Fair value of collateral	44,259	45	-	44,304

2013	Term loans	Overdrafts	Staff loans	Total
Individual impaired loans	32,050	15,805	-	47,855
Impairment allowance	(25,664)	(15,476)	-	(41,140)
Total	6,386	329	-	6,715
Fair value of collateral	9,439	1,023	-	10,462

Loans and advances to customers in Ghana analysed by industry sector, as well as by customer type are shown in note 18 (b) & (c).

3.2 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Bank Treasury and monitored by both Treasury and Risk Management departments separately. Regular reports are submitted to the Board of Directors and heads of each business unit.
Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the Bank's retail and wholesale banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank's held-to-maturity and available-for-sale financial assets.

3.2.1 Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Bank's Chief Risk Officer is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies.

The Group identifies market risk through daily monitoring of levels and profit and loss balances of trading and non trading positions. The Risk Management department monitors daily trading activities to ensure that risk exposures taken are within the approved price limits and the overall risk tolerance levels set by the Board. In addition, Assets and Liabilities Committee (ALCO) members, the Treasurer and the Risk Manager monitor market risk factors that affect the value of trading and non trading positions as well as income streams on non trading portfolios on a daily basis. They also track the liquidity indicators to ensure that the Group meets its financial obligations at all times.

3.2.2 Foreign exchange 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 revised Bank of Ghana requirement that banks maintain a total open position which is equal to 10% of their net own funds. Within this limit, banks are also required to maintain single currency open positions equal to 5% of net own funds.

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

Included in the table are the bank's assets and liabilities at carrying amounts categorised by currency:

At 31 December, 2014	EUR	GBP	USD	GHC	Total
	GH¢	GH¢	GH¢	GH¢	GH¢
Assets					
Cash and balances with Bank of Ghana	10,846	14,375	23,378	198,791	247,390
Government Securities	-	-	-	590,852	590,852
Due from other banks and financial institutions	7,286	1,869	303,193	151,029	463,377
Loans and advances to customers	6	1,575	531,004	1,026,945	1,559,530
Investment in other equity	-	-	-	57	57
Investment in subsidiary	-	-	36,743	8,264	45,007
Other assets	390	808	2,144	53,984	57,326
Deferred income tax asset	-	-	-	8,055	8,055
Property and equipment	-	-	-	40,606	40,606
Intangible assets	-	-	-	8,083	8,083
Total assets	**18,528**	**18,627**	**896,462**	**2,086,666**	**3,020,283**
Liabilities					
Customer deposits	17,452	18,305	365,948	1,375,608	1,777,313
Due to other banks	-	-	212,487	191,742	404,229
Term borrowings	-	-	310,827	-	310,827
Other liabilities	507	157	11,154	129,146	140,964
Current income tax liability	-	-	-	2,124	2,124
Total liabilities	**17,959**	**18,462**	**900,416**	**1,698,620**	**2,635,457**
Net on balance sheet position	**569**	**165**	**(3,954)**	**388,046**	**384,826**

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

Included in the table are the bank's assets and liabilities at carrying amounts categorised by currency:

At 31 December, 2013	EUR	GBP	USD	GHC	Total
	GH¢	GH¢	GH¢	GH¢	GH¢
Assets					
Cash and balances with Bank of Ghana	3,659	7,308	20,081	152,308	183,356
Government Securities	-	-	-	460,337	460,337
Due from other banks and financial institutions	9,470	1,973	87,535	35,508	134,486
Loans and advances to customers	125	1,865	221,286	582,691	805,967
Investment in other equity	-	-	-	104	104
Investment in subsidiary	-	-	8,163	101	8,264
Other assets	469	1,545	27,427	7,829	37,270
Deferred tax asset	-	-	-	4,752	4,752
Property and equipment	-	-	-	43,228	43,228
Intangible assets	-	-	-	11,906	11,906
Total assets	13,723	12,691	364,492	1,298,764	1,689,670
Liabilities					
Customer deposits	6,173	12,387	205,501	1,131,919	1,355,980
Due to other banks	-	-	56,958	1,610	58,568
Term borrowings	-	-	82,591	-	82,591
Interest payable and other liabilities	1,570	140	5,892	28,114	35,716
Current tax liability	-	-	-	2,812	2,812
Total liabilities	7,743	12,527	350,942	1,164,455	1,535,667
Net on balance sheet position	5,980	164	13,550	134,309	154,003

Foreign currency sensitivity analysis

The Bank's principal foreign currency exposures are to the US Dollar, the Euro and the Pound Sterling. The table below illustrates the hypothetical sensitivity of the Bank's reported profit to a 15% (2013: 10%) decrease in the value of the Cedi against these foreign currencies at the year end, assuming all other variables remain unchanged. The sensitivity rate of 15% represents the Directors' assessment of a reasonably possible change, based on historic volatility.

Cedi weakens by 15%	Impact on statement of comprehensive income	
	2014	2013
US Dollar	**(593)**	1,355
Euro	**85**	598
Pound Sterling	**25**	16

Year end exchange rates applied in the above analysis are GH¢3.2001 (2013: GH¢2.1616) to the US dollar, GH¢3.8959 (2013: GH¢2.9862) to the Euro, and GH¢4.9791 (2013: GH¢3.5726) to the Pound Sterling. The strengthening of the Cedi will produce symmetrical results.

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

3.2.3. Interest rate risk

Interest rate risk is the exposure of current and future earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors, including:
• differences between the timing of market interest rate changes and the timing of cash flows (re-pricing risk)
• changes in the market interest rates producing different effects on yields on similar instruments with different maturities (yield curve risk); and
• changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar re-pricing characteristics (basis risk).

The Bank uses gap analysis to measure its exposure to interest rate risk. Through this analysis, it compares the values of interest rate sensitive assets and interest rate sensitive liabilities that mature or re-price at various time periods in the future. The Bank may make judgmental assumptions about the behaviour of assets and liabilities which do not have specific contractual maturity or re-pricing dates.

The table below summarises the re-pricing profiles of the Bank's financial instruments and other assets and liabilities as at 31 December 2014 and 31 December 2013 respectively. Items are allocated to time periods with reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

31 December 2014	Up to 1 month	1-3 months	3-12 months	over 1 year	Non interest bearing	Total
Assets						
Cash and balances with Bank of Ghana	-	-	-	-	247,390	247,390
Government securities	97,568	254,129	200,674	37,769	712	590,852
Due from other banks and financial institutions	106,750	-	292,769	-	63,818	463,337
Loans and advances to customers	296,525	63,480	824,960	374,565	-	1,559,530
Investment in other equity	-	-	-	-	57	57
Financial assets	**500,843**	**317,609**	**1,318,403**	**412,334**	**311,977**	**2,861,166**
Liabilities						
Customer deposits	361,143	255,009	366,981	-	794,180	1,777,313
Due to other banks	70,402	142,084	191,743	-	-	404,229
Term borrowings	16,001	230,647	52,979	11,200	-	310,827
Interest payable and other liabilities	-	-	-	-	140,964	140,964
Financial liabilities	**447,546**	**627,740**	**611,703**	**11,200**	**935,144**	**2,633,333**
Total interest re-pricing gap	**53,297**	**(310,131)**	**706,700**	**401,134**		

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

31 December 2013						
Assets	Up to 1 month	1-3 months	3-12 months	over 1 year	Non interest bearing	Total
Cash and balances with Bank of Ghana	-	-	-	-	183,356	183,356
Government Securities	138,056	153,473	162,398	6,410	-	460,337
Due from other banks and financial institutions	11,889	-	60,923	-	61,674	134,486
Loans and advances to customers	330,902	260,671	111,442	102,952	-	805,967
Investment in other equity	-	-	-	-	104	104
Financial assets	480,847	414,144	334,763	109,362	245,134	1,584,250
Liabilities						
Customer deposits	242,028	474,679	141,956	60	521,194	1,355,980
Due to other banks	53,164	-	5,404	-	-	58,568
Term borrowings	25,939	17,023	39,629	-	-	82,591
Interest payable and other liabilities	-	-	-	-	35,716	35,716
Financial liabilities	321,131	491,702	186,989	60	556,910	1,532,855
Total interest re-pricing gap	159,716	(77,558)	147,774	109,302		

Interest rate sensitivity analysis

The interest re-pricing gap analysis is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bps) parallel shift in all yield curves. An analysis of the Bank's sensitivity to an increase or decrease in market interest rates (assuming no symmetrical movement in yield curves and a constant balance sheet position) and its impact on the net interest margin is as follows:

		Possible interest rate movements		
	Total interest re-pricing gap	+100bps	+200bps	+300bps
Up to 1 month	53,297	511	1,022	1,533
1-3 months	(310,131)	(2,592)	(5,183)	(7,775)
3-12 months	706,700	4,453	8,906	13,360
over 1 year	401,134	1,011	2,022	3,033
Total		**3,384**	**6,768**	**10,151**
Impact on net interest income (2014)		**1.82%**	**3.63%**	**5.45%**
Impact on net interest income (2013)		1.78%	3.56%	5.34%

3.3. Liquidity risk management

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

3.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in Treasury Department, includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in the money market to enable this to happen;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and
- managing the concentration and profile of debt maturities.

Finally, the Bank is statutorily required to maintain a reserve of 10% of the local currency equivalent of foreign currency customer deposits held as well as 10% of local currency customer deposits in one account with the Bank of Ghana. These balances are used to support all inter-bank transactions.

3.3.2. 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 collateralised 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 Bankobserves an internally defined volatile liability dependency ratio which is 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. (Volatile funds are short term wholesale funds e.g. call accounts).

3.3.3 Liquidity crisis 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.
- Bank of Ghana (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.

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

3.3.4 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the liquidity risk based on a different basis not resulting in a significantly different analysis.

At 31 December 2014	0-3 months GH¢	3-6 months GH¢	6-12 months GH¢	Over 12 months GH¢	Total GH¢
Liabilities					
Customer deposits	1,001,829	663,734	111,750	-	1,777,313
Due to other banks	382,980	21,249	-	-	404,229
Term borrowing	6,400	9,245	14,492	280,690	310,827
Other liabilities	-	140,964	-	-	140,964
Current income tax liability	-	2,124	-	-	2,124
Total liabilities (contractual maturity date)	**1,391,209**	**837,316**	**126,242**	**280,690**	**2,635,427**
Assets					
Cash and balances with Bank of Ghana	247,390	-	-	-	247,390
Government Securities	314,299	152,347	2,013	122,193	590,852
Due from other banks and financial institutions	463,377	-	-	-	463,377
Loans and advances to customers	655,788	143,425	104,663	655,654	1,559,530
Other assets	-	47,899	-	9,427	57,326
Total assets held for managing liquidity risk (contractual maturity date)	**1,680,854**	**343,671**	**106,676**	**787,274**	**2,918,475**

At 31 December 2013	0-3 months GH¢	3-6 months GH¢	6-12 months GH¢	Over 12 months GH¢	Total GH¢
Liabilities					
Customer deposits	604,742	325,937	425,301	-	1,355,980
Due to other banks	24,393	34,175	-	-	58,568
Term borrowing	12,221	4,323	7,898	58,149	82,591
Other liabilities	-	35,716	-	-	35,716
Current income tax liability	-	2,812	-	-	2,812
Total liabilities (contractual maturity date)	641,356	402,963	433,199	58,149	1,535,667
Assets					
Cash and balances with Bank of Ghana	183,356	-	-	-	183,356
Government Securities	138,056	153,473	162,398	6,410	460,337
Due from other banks and financial institutions	134,486	-	-	-	134,486
Loans and advances to customers	265,959	54,505	47,708	437,795	805,967
Other assets	46	30,541	553	6,130	37,270
Total assets	721,903	238,519	210,659	450,335	1,621,416

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

3.3.5 Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with Bank of Ghana;
- Certificates of deposit;
- Government bonds and other securities that are readily acceptable in repurchase agreements with central banks; and
- Secondary sources of liquidity in the form of highly liquid instruments in the Bank's trading portfolios.

3.3.6 Off balance sheet items

(a) Loan commitments
dates of the contractual amounts of the Bank's off-balance sheet financial instruments that it commits to extend credit to customers and other facilities are summarised in the table below.

(b) Operating lease commitments
The Bank currently has no long term operating lease. All operating lease payments made during the year relate to lease periods less than one year and are recorded in operating expenses.

(c) Other financial facilities
Other financial facilities are also included in the table below, based on the earliest contractual maturity date.

(d) Capital commitments
The Bank had no capital commitments at year end.

At 31 December 2014	No later than 1 year	1-5 years	Over 5 years	Total
Loan commitments	16,507	-	-	16,507
Acceptances and other financial facilities	21,121	-	-	21,121
Total	**37,628**	-	-	**37,628**

At 31 December 2013	No later than 1 year	1-5 years	Over 5 years	Total
Loan commitments	14,633	-	-	14,633
Acceptances and other financial facilities	173,779	-	-	173,779
Total	**188,412**		-	**188,412**

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

3.4 Country analysis

An analysis of assets and total liabilities of the Bank held inside and outside Ghana is analysed below:

	2014		2013	
	Ghana GH¢	Outside GH¢	Ghana GH¢	Outside GH¢
Assets				
Cash and balances with Bank of Ghana	247,390	-	183,356	-
Government Securities	590,852	-	460,337	-
Due from other banks and financial institutions	433,135	30,242	23,619	110,867
Loans and advances to customers	1,559,530	-	805,967	-
Investment in other equity	57	-	104	-
Investment in subsidiary	36,844	8,163	101	8,163
Other assets	57,326	-	36,773	497
Deferred income tax asset	8,055	-	4,752	-
Property and equipment	40,606	-	43,228	-
Intangible assets	8,083	-	11,906	-
	2,981,878	38,405	1,570,143	119,527
Liabilities				
Customer deposits	1,777,313	-	1,355,980	-
Due to other banks	404,229	-	44,518	14,050
Term borrowings	-	310,827	-	82,591
Interest payable and other liabilities	140,964	-	35,716	-
Current income tax liability	2,124	-	2,812	-
	2,324,630	310,827	1,439,026	96,641

3.5 Fair value of financial instruments

(a) Financial instruments not measured at fair value
The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value:

	Carrying value		Fair value	
	2014	2013	2014	2013
Financial assets				
Loans and advances	1,598,898	847,107	1,523,217	827,177
Investment securities	10,000	10,000	11,154	9,613
Financial liabilities				
Customer deposits	1,777,313	1,355,980	1,777,313	1,355,980

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

(i) Loans and advances
Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(ii) Investment securities
The estimated fair value of held to maturity investment securities represents the discounted amount of estimated future cash flows expected to be received.Expected cash flows are discounted at current market rates to determine fair value.

(iii) Customer deposits
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

3.6.2 Fair value hierarchy
IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Ghana Stock Exchange) and exchanges traded derivatives like futures (for example, Nasdaq).
- **Level 2** – Inputs are quoted prices for the asset or liability, (other than those included in Level 1) that are observable either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

3.6.3 Assets and liabilities measured at fair value
This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

2014		Level 1	Level 2	Level 3
Government securities (available for sale)		-	563,406	-
Investment in other equity		-	-	57
		-	**563,406**	**57**
2013				
Government securities (available for sale)		-	143,998	-
Investment in other equity		-	-	104
		-	**143,998**	**104**

3.6 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 maximise 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 risk weighted 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 qualify 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; and
- not available to absorb the losses of a bank which continues trading;

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

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 2014 and 2013.

	2014	2013
Paid-up capital	264,486	83,073
Statutory reserves	86,038	45,082
Income surplus	34,302	21,493
Total disclosed reserves	120,340	66,575
Other adjustments		
Goodwill/intangible	(17,932)	(3,107)
Connected lending	(17,601)	-
Losses not provided for		(4,608)
Investments in unconsolidated subsidiaries	(101)	(101)
Investments in the capital of other banks & financial institutions	(44,906)	(8,286)
Total adjustments	(80,540)	(16,102)
Tier I capital	304,286	133,546
Tier II capital	152,143	-
Total capital	456,429	133,546
Risk weighted assets	1,866,332	995,224
Tier 1 capital adequacy ratio	16.30%	13.40%
Total capital adequacy ratio	24.46%	13.40%

The directors have recommended an ordinary dividend of GH¢0.83 per share. When approved, this will translate into a total payout of GH¢20,957,500. This will reduce the Tier 1 and total capital adequacy ratios to 15.18% and 22.77% respectively.

CRITICAL ACCOUNTING JUDGMENTS, 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 instrument 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 consolidated statement of financial position 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 loan portfolios to assess whether an allowance for impairment should be recorded in the consolidated statement of comprehensive income. In particular, judgment 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 take 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) Held-to-maturity instruments

In accordance with IAS 39 guidance, the Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

(d) 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.

(e) Deferred income tax assets

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

(f) Income tax

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

5 SEGMENT INFORMATION

For management purposes, the Bank is organised into seven operating segments based on products and services as follows;

- Corporate banking: Principally responsible for providing loans and other credit facilities, as well as deposits and other transactions and balances to corporate clients.
- Institutional banking: Principally responsible for providing loans and other credit facilities, as well as deposits and other transactions and balances to institutional clients.
- Public Sector banking: Principally responsible for providing loans and other credit facilities, as well as deposits and other transactions and balances to public sector entities.
- 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.
- 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.
- Investment banking: Investment banking services including corporate finance, merger and acquisitions advice, specialised financial advice and trading
- Offshore banking: Principally responsible for providing loans and other credit facilities, as well as deposits and other transactions and balances to offshore customers in the Asia Pacific region.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements.

Transactions between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Interest income is reported net, as management primarily relies on net interest revenue as a performance measure, not the gross income and expense.

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.

The table below shows an analysis of the performance of the business units of the Group.

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

	BANK						ProCredit	FSL	FABL	
2014	Energy, Oil and Gas	Local and Multinat. Corporates	Public Sector Banking	Consumer Banking	Financial Inclusion	Treasury		Investment Banking	Offshore Banking	Total
Interest income	72,583	53,982	93,563	33,900	638	97,900	9,065	547	2,645	364,823
Interest Expense	(6,786)	(32,929)	(18,936)	(45,862)	(1,382)	(60,429)	(3,636)	-	(969)	(170,929)
Inter-segment (Net funds transfer pricing)	(25,697)	4,762	(45,176)	86,811	8,985	(29,685)	-	-	-	-
Net interest income	40,100	25,815	29,451	74,849	8,241	7,786	5,429	547	1,676	193,894
Non interest income	15,414	14,182	12,006	38,202	613	59,368	1,999	1,050	(4)	142,830
Operating income	55,514	39,997	41,457	113,051	8,854	67,154	7,428	1,597	1,672	336,724
Operating expenses	(9,441)	(30,346)	(31,162)	(76,276)	(9,147)	(24,630)	(7,782)	(1,484)	(1,462)	(191,730)
Impairment charge on loans and advances	(10,026)	(4,674)	(2,648)	(13,449)	(44)	-	134	-	-	(30,707)
Reportable segment profit/(loss)	36,047	4,977	7,647	23,326	(337)	42,524	(220)	113	210	114,287
Income tax expense										(25,188)
National fiscal stabilisation levy										(5,717)
Profit for the year										83,382
Reportable segment assets (Loans and advances)	618,476	375,941	382,429	180,114	2,579	-	101,474			1,661,004
Reportable segment liabilities (Customer deposits)	129,340	362,656	180,042	935,679	30,747	131,232	122,955			1,829,651

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

5. SEGMENT INFORMATION CONTINUED

	BANK					FSL	FABL	
2013	Corporate Banking	Institutional Banking	Public Sector Banking	Consumer Banking	Treasury	Investment Banking	Offshore Banking	Total
Interest income	65,148	14,668	57,030	36,170	79,324	376	170	252,886
Interest expense	(33,478)	(18,729)	(2,095)	(41,915)	(38,351)	-	(14)	(134,582)
Inter-segment (Net funds transfer pricing)	24	10,506	(45,864)	57,760	(22,426)	-	-	-
Net interest income	31,694	6,445	9,071	52,015	18,547	376	156	118,304
Non interest income	21,502	4,754	5,243	15,959	30,517	819	13	78,807
Operating income	53,196	11,199	14,314	67,974	49,064	1,195	169	197,111
Operating expenses	(27,172)	(10,585)	(10,420)	(53,120)	(14,814)	(615)	(954)	(117,680)
Impairment charge on loans and advances	(6,612)	(252)	(1,267)	(8,578)	-	-	-	(16,709)
Reportable segment profit/(loss)	19,412	362	2,627	6,276	34,250	580	(785)	62,722
Income tax expense								(17,280)
National fiscal stabilisation levy								(1,574)
Profit for the year								43,868
Reportable segment assets (Loans and advances)	429,315	43,445	166,073	167,134	-	-	21,210	827,177
Reportable segment liabilities (Customer deposits)	339,617	118,087	36,711	687,775	173,286	252	-	1,355,728

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

The Group operated in two geographic markets: Ghana and Malaysia. The following tables show the distribution of operating profit and non-current assets allocated based on the location of the customers and assets respectively for the years ended 31 December 2014 and 2013;

2014	Ghana	Malaysia	Total
Interest income	358,527	2,645	361,172
Interest expense	(166,309)	(969)	(167,278)
Net interest income	192,218	1,676	193,894
Non interest income	142,826	4	142,830
Operating income	335,044	1,680	336,724
Operating expenses	(190,268)	(1,462)	(191,730)
Impairment charge on loans and advances	(30,707)	-	(30,707)
Operating profit / (loss)	114,069	218	114,287
Property, equipment and intangible assets	94,583	159	94,742

2013	Ghana	Malaysia	Total
Interest income	252,716	170	252,886
Interest expense	(134,568)	(14)	(134,582)
Net interest income	118,148	156	118,304
Fee and commission income	48,084	-	48,084
Fee and commission expense	(1,069)	-	(1,069)
Net fee and commission income	47,015	-	47,015
Other operating income	31,779	13	31,792
Operating income	196,942	169	197,111
Operating expenses	(116,726)	(954)	(117,680)
Impairment charge on loans and advances	(16,709)	-	(16,709)
Operating profit/(loss)	63,507	(785)	62,722
Property, equipment and intangible assets	55,208	120	55,328

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

	GROUP		BANK	
6 Interest income	2014	2013	2014	2013
Cash and short term funds	13,177	6,647	14,093	7,997
Investments securities	84,807	70,836	84,298	70,462
Loans and advances	263,188	175,403	254,175	174,886
	361,172	252,886	352,566	253,345
7 Interest expense				
Savings accounts	15,846	10,725	15,846	10,725
Time and other deposits	95,421	98,615	98,102	99,971
Overnight and call accounts	38,324	19,075	38,324	19,075
Current accounts	4,208	500	819	500
Term borrowings	13,479	5,667	13,233	5,667
	167,278	134,582	166,324	135,938
8 Fee and commission income				
Trade finance fees	9,842	17,444	9,842	17,444
Credit related fees and commission	16,169	16,434	16,028	16,434
Cash management	31,696	11,769	30,087	11,769
Other fees and commission	2,538	2,437	1,485	1,744
	60,245	48,084	57,442	47,391
9 Fee and commission expense				
Direct charges for services	3,764	1,069	3,535	1,069
10 Other operating income				
Foreign exchange:				
transaction gains less losses	43,221	19,025	43,412	19,012
translation gains less losses	41,765	12,574	41,570	12,574
Sundry income	1,363	193	896	104
	86,349	31,792	85,878	31,690

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

	GROUP		BANK	
11 Operating expenses	2014	2013	2014	2013
Staff expenses	87,681	53,587	83,632	52,201
Depreciation (Note 22)	8,168	6,964	7,385	6,911
Amortisation (Note 23)	5,892	3,063	5,752	3,049
Advertising and marketing	7,658	9,377	7,543	9,368
Audit fees	480	115	280	100
Directors' remuneration	1,494	624	1,219	624
Utilities	5,843	8,103	5,238	8,096
Repairs and maintenance	38,637	17,132	38,765	17,127
Stationery and print expenses	3,319	2,283	2,891	2,273
Outsourced services	4,629	3,571	4,629	3,571
Other operating expenses	20,755	8,317	16,907	7,984
Legal and consultancy fees	4,277	2,839	5,572	3,126
Training	2,485	1,552	2,484	1,548
Donations and sponsorship	412	153	412	153
	191,730	117,680	182,709	116,131

Staff expenses comprise:	44,294	25,923	41,374	25,022
Wages, salaries, bonus and allowances	5,145	3,528	4,833	3,475
Social security fund contribution	3,028	2,231	2,836	2,149
Provident fund contribution	35,214	21,905	34,589	21,555
Other employee cost	87,681	53,587	83,632	52,201

The number of persons employed by the Group at the end of the year was 2100 (2013: 1914)

12 Impairment charge on loans and advances				
Impairment charge on loans and advances	30,835	17,016	30,969	17,016
Recoveries	(128)	(307)	(128)	(307)
	30,707	16,709	30,841	16,709
Movement on impairment charge on loans and advances is as follows:				
At 1 January	41,140	25,134	41,140	25,134
Pre-acquisition impairment stock	11,706	-	-	-
Increase in impairment	30,835	17,016	30,969	17,016
Amounts written off as uncollectible	(32,741)	(1,010)	(32,741)	(1,010)
At 31 December	50,940	41,140	39,368	41,140

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

13 Income tax expense	GROUP 2014	GROUP 2013	BANK 2014	BANK 2013
Current income tax	25,197	19,426	24,730	19,283
Deferred income tax (Note 14)	(9)	(2,146)	211	(2,146)
Income tax expense	25,188	17,280	24,941	17,137
National fiscal stabilisation levy	5,717	1,574	5,624	1,565
	30,905	18,854	30,565	18,702

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

	GROUP 2014	GROUP 2013	BANK 2014	BANK 2013
Profit before tax	114,287	62,722	112,477	62,579
Corporate tax rate at 25% (2013: 25%)				
Tax calculated at corporate tax rate	28,572	15,681	28,120	15,645
Tax impact on expenses not deductible for tax purposes	(3,384)	1,599	(3,179)	1,492
National fiscal stabilisation levy at 5% (2013:nil)	5,717	1,574	5,624	1,565
Income tax expense	30,905	18,854	30,565	18,702

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

Current income tax
The movement on current income tax is as follows:

Group Year of assessment	At 1 January	Paid during the year	Charge for the year	At 31 December
Current income tax				
Up to 2013	2,834	-	-	2,834
2014	-	(25,823)	25,197	(626)
	2,834	(25,823)	25,197	2,208
National fiscal stabilisation levy				
Up to 2013	499	-		499
2014	-	(6,676)	5,717	(959)
	499	(6,676)	5,717	(460)

Bank Year of assessment	At 1 January	Paid during the year	Charge for the year	At 31 December
Current income tax				
Up to 2013	2,812	-	-	2,812
2014	-	(25,418)	24,730	(688)
	2,812	(25,418)	24,730	2,124
National fiscal stabilisation levy				
Up to 2013	493	-	-	493
2014	-	(6,585)	5,624	(961)
	493	(6,585)	5,624	(468)

The National Fiscal Stabilisation Levy Act, 2013,(Act 785), became effective from 15 July 2013. Under the Act, a 5% levy is charged on profit before tax and is payable quarterly.

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

14 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 25% (2013: 25%). Deferred income liabilities and deferred income tax charge in the statement of comprehensive income are attributable to the following items:

	2014			2013		
GROUP	Assets	Liabilities	Net	Assets	Liabilities	Net
Property and equipment	-	2,699	2,699	-	1,587	1,587
Impairment allowances for loan losses	(10,808)	-	(10,808)	(9,047)	-	(9,047)
Other provisions	-	14	14	-	-	-
Gains on available for sale investments	(806)	-	(806)	-	2,708	2,708
Net tax (assets)/liabilities	(11,614)	2,713	(8,901)	(9,047)	4,295	(4,752)
BANK						
Property and equipment	-	2,593	2,593	-	1,587	1,587
Impairment allowances for loan losses	(9,842)	-	(9,842)	(9,047)	-	(9,047)
Gains on available for sale investments	(806)	-	(806)	-	2,708	2,708
Net tax (assets)/liabilities	(10,648)	2,593	(8,055)	(9,047)	4,295	(4,752)

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

Deferred income tax is calculated using the enacted income tax rate of 25% (2013: 25%). Deferred income liabilities and deferred income tax charge in the statement of comprehensive income are attributable to the following items:

GROUP

2014	At 1 January	movement	At 31 December
Property and equipment	1,587	1,123	
Impairment allowance for loan losses	(9,047)	(1,015)	2,699
Other provisions		(117)	(10,808)
Deferred tax expense through comprehensive income	(7,460)	(9)	14
Deferred tax expense through equity (gains on			(8,095)
available for sale investments)	2,708	(3,514)	(806)
Total	(4,752)	(3,523)	(8,901)
BANK			
Property and equipment	1,587	1,006	2,593
Impairment allowance for loan losses	(9,047)	(795)	(9,842)
Deferred tax expense through comprehensive income	(7,460)	211	(7,248)
Deferred tax expense through equity (gains on available for sale investments)	2,708	(3,514)	(806)
Total	(4,752)	(3,303)	(8,055)
2013			
GROUP & BANK			
Property and equipment	2,208	(621)	1,587
Impairment allowance for loan losses	(7,522)	(1,525)	(9,047)
Deferred tax expense through comprehensive income	(5,314)	(2,146)	(7,460)
Deferred tax expense through equity (gains on available for sale investments)	1,369	1,339	2,708
Total	(3,945)	(807)	(4,752)

15 Cash and balances with Bank of Ghana

	GROUP		BANK	
	2014	2013	2014	2013
Cash in hand	78,057	48,935	72,138	48,931
Balances with Bank of Ghana	175,252	134,425	175,252	134,425
	253,309	183,360	247,390	183,356
Less mandatory reserve	(193,388)	(122,038)	(193,388)	(122,038)
Unrestricted cash and bank balances	59,921	61,322	54,002	61,318

Mandatory reserve deposits are not available for use in the Bank's day to day operations.
Cash in hand and balances with Bank of Ghana are non-interest-bearing.

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

16 Government securities

	GROUP 2014	GROUP 2013	BANK 2014	BANK 2013
At 1 January	460,812	310,398	460,337	310,398
Additions	992,816	353,037	984,458	352,562
Redeemed on maturity	(856,558)	(213,454)	(850,720)	(213,454)
(Losses)/Gains from changes in fair value	(3,224)	10,831	(3,223)	10,831
At 31 December	593,846	460,812	590,852	460,337
maturing within 91 days of acquisition	302,945	41,255	302,828	41,255
maturing after 91 days but within 182 days	172,990	113,035	170,300	113,035
maturing after 182 days of acquisition	207	109,344	179	109,344
maturing after 1 year of acquisition	117,704	197,178	117,545	196,703
Total	593,846	460,812	590,852	460,337

Investment in government securities are financial assets classified as available-for-sale or held to maturity, and are carried at fair value and amortised cost respectively as shown below:

	GROUP 2014	GROUP 2013	BANK 2014	BANK 2013
Available-for-sale	584,566	439,729	584,075	439,506
(Losses)/gains from changes in fair value	(3,224)	10,831	(3,223)	10,831
	581,342	450,560	580,852	450,337
Held to maturity	12,504	10,252	10,000	10,000
	593,846	460,812	590,852	460,337

17 Due from other banks and financial institutions

	GROUP 2014	GROUP 2013	BANK 2014	BANK 2013
Nostro account balances	26,761	43,631	29,522	42,776
Items in course of collection	34,189	18,898	34,295	18,898
Placement with other banks	402,833	62,034	399,560	72,812
	463,783	124,563	463,377	134,486

Amounts due from banks and other financial instruments are current.

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

18 Loans and advances to customers

(a) Analysis by type:	GROUP 2014	GROUP 2013	BANK 2014	BANK 2013
Term loans	1,388,998	649,026	1,287,243	627,816
Overdrafts	312,117	207,008	304,385	207,008
Staff	10,829	12,283	7,270	12,283
Gross loans and advances to customers	1,711,944	868,317	1,598,898	847,107
Impairment allowance (Note 12)	(50,940)	(41,140)	(39,368)	(41,140)
Net loans and advances to customers	1,661,004	827,177	1,559,530	805,967
Current	1,005,350	568,621	903,876	547,411
Non current	655,654	258,556	655,654	258,556
	1,661,004	827,177	1,559,530	805,967

(b) Analysis by type of customer:	GROUP 2014	GROUP 2013	BANK 2014	BANK 2013
Individuals	132,810	146,294	132,717	146,294
Private enterprises	1,176,697	538,676	1,067,303	517,466
State enterprise and public institutions	391,608	171,064	391,608	171,064
Staff	10,829	12,283	7,270	12,283
	1,711,944	868,317	1,598,898	847,107
Impairment allowance (Note 12)	(50,940)	(41,140)	(39,368)	(41,140)
Net loans and advances to customers	1,661,004	827,177	1,559,530	805,967

(c) Analysis by business segment	GROUP 2014	GROUP 2013	BANK 2014	BANK 2013
Agriculture, forestry and fishing	11,509	9	4,481	9
Mining	158,501	39,300	158,501	39,300
Manufacturing	284,519	81,981	266,450	81,981
Construction	82,625	57,442	77,805	57,442
Electricity, gas and water	401,029	207,922	401,029	207,922
Commerce and finance	270,715	161,248	230,647	140,038
Transport, storage and communication	93,034	48,301	82,664	48,301
Services	392,289	270,692	376,061	270,692
Miscellaneous	17,723	1,422	1,260	1,422
	1,711,944	868,317	1,598,898	847,107
Impairment allowance (Note 12)	(50,940)	(41,140)	(39,368)	(41,140)
Net loans and advances to customers	1,661,004	827,177	1,559,530	805,967

(d) Key ratios on loans and advances	GROUP 2014	GROUP 2013	BANK 2014	BANK 2013
Loan loss provision ratio	2.98%	4.74%	2.46%	4.86%
50 largest exposures to total exposures	78.64%	70.00%	84.20%	70.00%

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

19 Investment in other equities	GROUP 2014	GROUP 2013	BANK 2014	BANK 2013
Mustard Capital Partners Limited	57	104	57	104
Movement in investment in other equity				
At 1 January	104	189	104	73
Disposals	-	(13)	-	(13)
Fair value adjustment	(47)	(72)	(47)	44
At 31 December	57	104	57	104

Mustard Capital Partners Limited

The Bank holds an 18.67% stake in Mustard Capital Partners Limited (formerly Jacana Capital Partners Limited).

20 Investment in subsidiaries

The principal subsidiaries of the Bank are;

Name	Nature of business	Country of incorporation	Type of shares	Percentage holding	2014	2013
Fidelity Securities Limited	Fund management	Ghana	Ordinary shares	100	101	101
Fidelity Asia Bank Limited	Banking	Malaysia	Ordinary shares	100	8,163	8,163
ProCredit Savings and Loans Limited	Banking	Ghana	Ordinary shares	100	36,743	-
Total					45,007	8,264

At an extraordinary general meeting held on 23 September 2014, the Bank passed a resolution, in accordance with the Regulations of the Company and the Companies Act, 1963 (Act 179), to acquire 100% of the issued and outstanding ordinary shares of ProCredit Savings and Loans Company Limited (Procredit Ghana) from ProCredit Holding AG & Co KgaA(of Germany) and DOEN Foundation (of the Netherlands); and to merge and integrate the operations of ProCredit Ghana with Fidelity Bank Ghana Limited within twelve (12) months of completion of the acquisition. The Bank subsequently in October 2014 acquired 100% of the ordinary shares of ProCredit Ghana at a consideration of GH¢36.74 million.

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

21 Other assets

	GROUP		BANK	
	2014	2013	2014	2013
Prepayments	29,799	11,246	27,358	11,246
Interest earned not collected	16,157	14,836	19,143	16,068
Sundry assets	11,887	9,386	9,354	8,987
National fiscal stabilisation levy	460	-	468	-
Amounts due from associated companies	47	47	1,003	969
	58,350	35,515	57,326	37,270

22 Property and equipment

GROUP

Year ended December 2014	At 1 January	Additions	Transfers	Disposals	At 31 December
Cost					
Motor vehicles	8,012	1,684	-	(358)	9,338
Computers – Hardware	13,127	1,989	506	(91)	15,531
Equipment	7,044	2,778	138	(236)	9,724
Furniture and fittings	3,631	692	225	(97)	4,451
Leasehold improvement	8,701	1,332	1850		11,883
Building	-	2,127	-	-	2,127
Land	18,454	-	-	-	18,454
Capital work-in-progress	3,870	36,853	(2,719)	-	38,004
Total	62,839	47,455	-	(782)	109,512

Accumulated depreciation	At 1 January	Charge for the year		Disposals	At 31 Dec
				(333)	5,012
Motor vehicles	3,456	1,889	-	(90)	10,006
Computers – Hardware	7,280	2,816	-	(227)	5,784
Equipment	4,363	1,648	-	(87)	2,674
Furniture and fittings	2,040	721	-	-	3,402
Leasehold improvement	2,324	1,078	-	-	16
Building	-	16	-		26,894
Total	19,463	8,168	-	(737)	
Carrying value:					
At 31 December 2014	43,376				82,618

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

GROUP

Movement on disposal of assets

	2014	2013
Cost	781	2
Accumulated depreciation	(736)	(2)
Carrying value	45	-
Proceeds on disposaL	(168)	(2)
Profit on disposal	(123)	(2)

BANK

Year ended December 2014	At 1 January	Additions	Transfers	Disposals	At 31 December
Cost					
Motor vehicles	7,923	-	-	(293)	7,630
Computers – Hardware	13,058	1,025	506	-	14,589
Equipment	7,031	340	138	-	7,509
Furniture and fittings	3,594	139	225	-	3,958
Leasehold improvement	8,644	193	1,850	-	10,687
Land	18,454	-	-	-	18,454
Capital work-in-progress	3,870	3,066	(2,719)	-	4,217
Total	62,574	4,763	-	(293)	67,044
Accumulated depreciation	At 1 January	Charge for the year			At 31 December
Motor vehicles	3,424	1,731	-	(293)	3,424
Computers – Hardware	7,243	2,686	-	-	7,243
Equipment	4,355	1,287	-	-	4,355
Furniture and fittings	2,028	673	-	-	2,028
Leasehold improvement	2,296	1,008		-	2,296
Total	19,346	7,385		(293)	19,346
Carrying value:					
At 31 December 2014	43,228		-		43,228

BANK

Movement on disposal of assets

	2014	2013
Cost	293	-
Accumulated depreciation	(293)	-
Carrying value	-	-
Proceeds on disposaL	(138)	-
Profit on disposal	(138)	-

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

22 Property and equipment (continued)

GROUP

Year ended December 2013	At 1 January	Additions	Transfers	Disposals	At 31 December
Cost					
Motor vehicles	5,327	2,687	-	(2)	8,012
Computers – Hardware	11,836	878	413	-	13,127
Equipment	6,310	583	151	-	7,044
Furniture and fittings	2,800	575	256	-	3,631
Leasehold improvement	7,310	248	1,143	-	8,701
Land	-	14,400	4,054	-	18,454
Capital work-in-progress	1,645	8,242	(6,017)	-	3,870
Total	35,228	27,613	-	(2)	62,839
	At 1 January	Charge for the year		Disposal	At 31 Dec.
Accumulated depreciation					
Motor vehicles	1,752	1,706	-	(2)	3,456
Computers – Hardware	4,663	2,617	-	-	7,280
Equipment	3,066	1,297	-	-	4,363
Furniture and fittings	1,475	565	-	-	2,040
Leasehold improvement	1,545	779	-	-	2,324
	12,501	6,964	-	(2)	19,463
Carrying value:					
At 31 December 2013	22,727		-	-	43,376

for the year ended 31 December 2014 [All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

BANK

Year ended December 2013 Cost	At 1 January	Additions	Transfers	Disposals	At 31 December
Motor vehicles					
Computers – hardware	5,300	2,623	-	--	7,923
Equipment	11,777	868	413	-	13,058
Furniture and fittings	6,297	583	151	-	7,031
Leasehold improvement	2,767	571	256	-	3,594
Land	7,253	248	1,143	-	8,644
Capital work-in-progress	-	14,400	4,054	-	18,454
Total	1,645	8,242	(6,017)		3,870
	35,039	27,535	-		62,574

Accumulated depreciation	At 1 January	Charge for the year	Charge for the year	Released on Disposal	At 31 December
Motor vehicles	1,726	1,698	-	-	3,424
Computers – Hardware	4,641	2,602	-	-	7,243
Equipment	3,064	1,291	-	-	4,355
Furniture and fittings	1,470	558	-	-	2,028
Leasehold improvement	1,534	762	-	-	2,296
	12,435	6,911	-		19,346
Carrying value:					
At 31 December 2013	22,604	-	-		43,228

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

23 Intangible assets

GROUP

Year ended December 2014	At 1 January	Additions	Transfers	At 31 December
Cost				
Computer software	15,698	2,890	1,591	20,179
Capital work in progress	2,773	836	(1,591)	2,018
Goodwill (Note 38)	-	2,338	-	2,338
	18,471	6,064	-	24,535

Accumulated amortisation	At 1 January	Charge for the year		At 31 December
Computer software	6,519	5,892		12,411
Carrying value:				
At 31 December 2014	11,952			12,124

BANK

	At 1 January	Additions	Transfers	At 31 December
Cost				
Computer software	15,633	1,093	1,591	18,317
Capital work in progress	2,775	836	(1,591)	2,020
	18,408	1,929	-	20,337

Accumulated amortisation	At 1 January	Charge for the year		At 31 December
Computer software	6,502	5,752		12,254
Carrying value:				
At 31 December 2014	11,906			8,083

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

GROUP

Year ended December 2013	At 1 January	Additions	Transfers	At 31 December
Cost				
Computer software	7,228	4,014	4,456	15,698
Capital work in progress	4,517	2,712	(4,456)	2,773
	11,745	6,726	-	18,471
Accumulated amortisation	At 1 January	Charge for the year		At 31 December
Computer software	3,456	3,063		6,519
Carrying value:				
At 31 December 2013	8,289			11,952

BANK

Year ended December 203	At 1 January	Additions	Transfers	At 31 December
Cost				
Computer software	7,194	3,983	4,456	15,633
Capital work in progress	4,519	2,712	(4,456)	2,775
	11,713	6,695	-	18,408
Accumulated amortisation	At 1 January	Charge for the year		At 31 December
Computer software	3,453	3,049		6,502
Carrying value:				
At 31 December 2013	8,260			11,906

24 Non current assets held for sale

During the year, ProcreditSavings and Loans Limited (PCSL), a subsidiary of the Bank, took possession of various assets with a carrying value of GH¢1.01 million at the year end.PCSL is in the process of selling these assets.

The major class of collateral repossessed and classified as held for sale is as follows:

	Collateral repossessed 2014
Property and equipment	1,011
Total assets classified as held for sale	1,011

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

25 Customer deposits

	GROUP		BANK	
	2014	2013	2014	2013
Current accounts	796,823	473,282	780,344	473,534
Call accounts	223,447	113,261	223,447	113,261
Savings accounts	280,704	188,645	236,219	188,645
Time deposits	591,677	580,540	537,303	580,540
	1,892,651	1,355,728	1,777,313	1,355,980
Current	818,268	473,282	799,502	473,534
Non current	1,074,383	882,446	977,811	882,446
	1,892,651	1,355,728	1,777,313	1,355,980
Analysis by type of depositor:				
Individuals and other private enterprises	1,723,120	1,168,814	1,607,782	1,169,066
Government departments & agencies	169,531	186,914	169,531	186,914
	1,892,651	1,355,728	1,777,313	1,355,980
20 largest depositors to total deposit ratio	22%	27%	23%	27%

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

26 Borrowings (the Group and the Bank)

2014	At 1 January	Draw-downs	Repayments	Exchange difference	At 31 December
DEG (a)	16,211	-	(7,029)	6,818	16,000
GHIB (b)	9,727	-	(2,786)	4,259	11,200
FMO (c)	17,023	-	(13,460)	7,237	10,800
PROPARCO (d)	39,630	-	(5,413)	18,763	52,980
SHELTER AFRIQUE (e)	-	26,205	-	1,636	27,841
DEG, FMO and SWEDFUND (TIER II CAPITAL) (f)	-	191,838	-	168	192,006
Total Bank	82,591	218,043	(28,688)	38,881	310,827
SOCIETE GENERALE GHANA (g)	-	8,225	-	-	8,225
KfW (h)	-	6,223	-	-	6,223
Total Group	82,591	232,491	(28,688)	38,881	325,275
Current	24,442				30,137
Non -current	58,149				280,690
Total Bank	82,591				310,827
Current	24,442				38,363
Non -current	58,149				286,912
Total Group	82,591				325,275
2013					
DEG	18,845	-	(4,929)	2,295	16,211
GHIB	-	9,942	(1,019)	804	9,727
FMO	12,957	9,862	(8,129)	2,333	17,023
PROPARCO	13,402	28,101	(3,604)	1,731	36,630
	45,204	47,905	(17,681)	7,163	82,591
Current	12,774				24,442
Non -current	32,430				58,149
	45,204				82,591

Borrowings (the Group and the Bank)

(a) Deutsche Investitions-und entwicklungsgesellschaftmbh (DEG)
Deutsche Investitions-und entwicklungsgesellschaftmbh (DEG) made available to the Bank a loan of US$10 million by an agreement dated 25 November, 2011, to exclusively finance eligible projects by means of sub-loans to local small and medium scale enterprises over a period of 4 years. Interest on the loan is at an aggregate interest rate of 3 months USD LIBOR rate plus 4.5% p.a.

(b) Ghana International Bank Plc (GHIB)
Ghana International Bank Plc (GHIB) made available to the Bank a loan amount of US$5 million by an agreement dated 3 April, 2014, for on-lending to the Bank's customers or for general corporate purposes. Interest rate applicable to the loan is the sum of the applicable US Prime rate and the margin of 2.75% per annum over a 5 year period.

(c) NederlandseFinancierings-MaatschappijVoorOntwikkelingslanden N.V (FMO)
NederlandseFinancierings-MaatschappijVoorOntwikkelingslanden N.V (FMO) made available to the bank a USD term facility in an aggregate amount of US$ 15 million,by an agreement dated 8 September 2010, in two phases; Phase 1 to the maximum aggregate amount of US$ 10 million and Phase 2 to the maximum aggregate amount of US$5 million. The purpose of the loan is to finance SME's in Ghana that generate USD or EUR revenues. The facility is for a period of 5 years at an aggregate interest rate of the 3 months USD LIBOR plus 4.35% p.a.

(d) Societe de Promotion et de Participation Pour la Cooperation Economique (PROPARCO)
A loan of US$ 8 million was granted the Bank by Societe de Promotion et de Participation Pour la Cooperation Economique (PROPARCO) by an agreement dated on 13 July, 2011. The loan facility is for the purposes of on-lending to the Bank's customers over a period of 5 years. The interest rate is the sum of 6 months LIBOR USD rate, the basis swap rate on the determination date and the applicable margin of 4.35%. A further US$ 13 million was granted to the Bank on 31 December 2014 for the purposes of on-lending to its customers. The facility isfor a period of ten (10) years at an interest rate of the sum of 6 months LIBOR USD rate, the basis swap rate on the determination date of 0.175% p.a. and the applicable margin of 4.475% p.a.

(e) Shelter Afrique
On 11 March 2014, Shelter Afrique extended a term loan of US$8,700,000 to the Bank for on-lending to mortgage seekers for home purchase, home completion, home improvement and home extension in Ghana at an interest rate of 6 month LIBOR plus a margin of 5.5% per annum over a period of 10 years. Repayment is on half-yearly basis.

(f) Tier II Capital
On 1 August 2014, at the Bank's request, DEG, FMO and SWEDFUND INTERNATIONAL AKTIEBOLAG ("SWEDFUND"), provided a seven-year subordinated term loan facility of US$60,000,000 for the purpose of increasing the Bank's Tier II Capital under the Banking Act of Ghana, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738), and supporting the growth strategy of the bank. The rate of interest on the loan for each interest period is the percentage rate per annum which is the aggregate of the applicable margin and LIBOR, the current rate being 7.58%. The facility is unsecured and repayment is subordinated to other debt instruments. It is also not available to absorb the losses of the Bank while it continues trading.

(g) SocieteGenerale Ghana (SG Ghana)
On 4 July 2013, ProCredit Savings and Loans Company Limited (PCSL), subsidiary of the Bank, entered into a four year loan agreement with SG Ghana to partly finance the construction of the borrower's head office building. The total

Borrowings (the Group and the Bank)

approved amount advanced was GHS 7,000,000 with an interest rate of 19% per annum. Repayment of the loan is in thirty six (36) equal monthly principal instalments commencing 12 months from initial disbursement. Interest payment is however made monthly in arrears without any moratorium. At the end of the period, ProCredit Ghana had drawndown GHS 7,000,000 and the associated interest was capitalised in accordance with IAS 23.

(h) KfW
On 29 August 2013, PCSL, obtained a six (6) year subordinated loan of GHS 8,225,090 from KfW at a rate of 14% per annum to support its rural finance programme. Repayment of principal and interest will be in bullet at the end of the term.

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

27 Other liabilities

	GROUP		BANK	
	2014	2013	2014	2013
Other creditors and accruals	146,762	35,522	140,964	35,223
National fiscal stabilisation levy (Note 13)	-	499	-	493
	146,762	36,021	140,964	35,716

28 Earnings per share

The calculation of basic earnings per share as at 31 December 2014 was based on the profit attributable to ordinary shareholders of GH¢81.9m (2013; GH¢43.9m) and a weighted average number of ordinary shares outstanding of 23.357m (2013: 17.675m), calculated as follows:

	GROUP		BANK	
	2014	2013	2014	2013
Profit attributable to ordinary shareholders				
Net profit for the year	83,382	43,868	81,912	43,877
Weighted average number of ordinary shares (000' of shares)				
Issued ordinary shares at 1 January	17,675	17,675	17,675	17,675
Effect of additional issue of shares	5,682	-	5,682	-
Weighted average number of ordinary shares at 31 December	23,357	17,675	23,357	17,675
Basic earnings per share (GH¢)	3.57	2.48	3.51	2.48
Diluted earnings per share (GH¢)	3.57	2.48	3.51	2.48

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

28 Stated capital

	2014	2013
a. Summary		
Ordinary shares	160,551	33,091
Preference shares	103,935	49,982
Total stated capital	264,486	83,073
b. Ordinary shares		
Authorised		
Ordinary shares of no par value ('000)	1,000,000	100,000
Issued and fully paid:		
Issued for cash ('000)	25,250	17,675
At 31 December	25,250	17,675

On 28 March 2014, at an extraordinary general meeting, the authorised number of ordinary shares of the Bank was increased, by a special resolution, to 1,000,000,000 ordinary shares of no par value and the Company's Regulations appropriately amended, in accordance with the Companies Act, 1963 (Act 179).

The movement in ordinary shares is as follows:

	Number of shares ('000)		Proceeds	
	204	2013	2014	2013
At 1 January	17,675	17,675	33,091	33,091
Issued for cash	7,575	-	127,460	-
At 31 December	25,250	17,675	160,551	33,091

On 28 March 2014, at an extraordinary general meeting, a special resolution was passed to approve the issue of 7,575,000 ordinary shares of no par value in favour of KTH Africa Investments (3,787,500), Amethis Finance Netherlands B.V. (1,893,750) and ERES Invest Coöperatief U. A. (1,893,750) in the sum of GH¢127.46 million in accordance with Section 66 of the Companies Act, 1963 (Act 179).

There is no unpaid liability on any ordinary shares and there are no calls or instalments unpaid. There are no treasury shares.

c. Preference shares

	2014	2013
Authorised		
Preference share ('000)	50,000	10,000
Issued and fully paid		
Issued	10,400	6,400

On 28 March 2014, at an extraordinary general meeting, the authorised number of preference shares of the Bank was increased, by a special resolution, to 50,000,000 preference shares of no par value and the Company's Regulations appropriately amended, in accordance with the Companies Act, 1963 (Act 179).

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

The movement in preference shares is as follows:

	Number of shares ('000)		Proceeds	
	2014	2013	2014	2013
At 1 January	6,400	6,400	49,982	49,982
Issued for cash	4,000	-	53,953	-
At 31 December	10,400	6,400	103,935	49,982

On 28 March 2014, at an extraordinary general meeting, a special resolution was passed to approve the issue of 4,000,000 non voting, non cumulative, non redeemable convertible 10.50% preference shares of no par value in favour of KTH Africa Investments (2,000,000), Amethis Finance Netherlands B.V. (1,000,000) and ERES Invest Coöperatief U.A. (1,000,000) in the sum of GH¢54 million in accordance with Section 66 of the Companies Act, 1963 (Act 179).

The preference shares are perpetual securities and have no maturity date. They have the option of converting into ordinary shares in accordance with the underlying agreement.

30 Statutory reserve

This is a non-distributable reserve representing transfer of 50% of profit after tax. It is an accumulation of amounts set aside in accordance with Section 29 of The Banking Act, 2004 (Act 673) as amended by the Banking Act, 2007 (Act 738). The movement is included in the statement of changes in equity.

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

31. Other reserves

This is a non-distributable reserve representing transfer of 50% of profit after tax. It is an accumulation of amounts set aside in accordance with Section 29 of The Banking Act, 2004 (Act 673) as amended by the Banking Act, 2007 (Act 738). The movement is included in the statement of changes in equity.

GROUP

Year ended December 2014	Available for sale reserve	Revaluation reserve	Translation reserve	Total
At 1 January 2014	8,123	(72)	1,463	9,514
Change in fair value of available for sale investment securities - gross	(14,055)	-	-	(14,055)
Change in fair value of available for sale investment securities - tax	3,514	(47)		3,514
Change in fair value of equity security	-	-	4,518	(47)
Foreign currency translation differences for foreign subsidiary	-			4,518
	(10,541)	(47)	4,518	(6,070)
At 31 December 2014	(2,418)	(119)	5,981	3,444
At 1 January 2013	4,108	-	285	4,393
Change in fair value of available for sale investment securities - gross	5,354	-	-	5,354
Change in fair value of available for sale investment securities - tax	(1,339)	(72)		(1,339)
Change in fair value of equity security	-	-		(72)
Foreign currency translation differences for foreign subsidiary	-		1,178	1,178
	4,015	(72)	1,178	5,121
At 31 December 2013	8,123	(72)	1,463	9,514

for the year ended 31 December 2014 [All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

BANK

Year ended December 2014	Available for sale reserve	Revaluation reserve	Total
At 1 January 2014	8,123	44	8,167
Change in fair value of available for sale investment securities - gross	(14,054)	-	(14,054)
Change in fair value of available for sale investment securities - tax	3,514		3,514
Change in fair value of equity security	-	(47)	(47)
	(10,540)	(47)	(10,587)
At 31 December 2014	(2,417)	(3)	(2,420)
Year ended 31 December, 2013			
At 1 January 2013	4,108	-	4,108
Change in fair value of available for sale investment securities - gross	5,354	-	5,354
Change in fair value of available for sale investment securities - tax	(1,339)		(1,339)
Change in fair value of equity security	-	44	44
	4,015	44	4,059
At 31 December 2013	8,123	44	8,167

32. Regulatory credit risk 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. The movement is included in the statement of changes in equity.

33. Income surplus account

This represents the accumulated profits over the years after appropriations. The balance is available for distribution to shareholders.

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

34 Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents comprise the following:

	GROUP		BANK	
	2014	2013	2014	2013
Unrestricted cash and balances with Bank of Ghana (Note 15)	59,921	61,322	54,002	61,318
Due from banks and other financial institutions (Note 17)	463,783	124,563	463,377	134,486
Government securities maturing within 91 days (Note 16)	302,945	41,255	302,828	41,255
	826,649	227,140	820,207	237,059
Less due to other banks and financial institutions	(368,446)	(58,568)	(404,229)	(58,568)
Cash and cash equivalents	458,203	168,572	415,978	178,491

35 Related party disclosures

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions with subsidiaries, key management personnel and officers and other employees.

(i) Transactions with subsidiaries

Transactions between Fidelity Bank Ghana Limited and its subsidiaries meet the definition of related party transactions.

Transactions with subsidiaries are shown below:

	2014	2013
Interest income	969	1,003
Interest expense	2,682	1,370
Fee and commission income	6	-
Other expenses	1,689	513

Balances held at year end are as follows:

	2014	2013
Placement	17,601	11,889
Deposits	9,944	300
Due from subsidiaries	958	922

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

(ii) Transactions with key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of Fidelity Bank Ghana Limited and comprise the Directors and officers of Fidelity Bank Ghana Limited.

Loan balances due from the following related parties are as follows:

	2014	2013
Executive directors	2,078	1,037
Non executive directors	2,429	2,262
Officers and other employees	16,720	14,280
Total	21,227	17,579

Interest rates charged on balances outstanding from staff loans are at rates below what would be charged in an arm's length transaction. Secured loans granted are secured over property of the respective borrowers. No impairment losses have been recorded against balances outstanding during the period with key management and therefore no specific allowances have been made for impairment losses on balances with key management.

Key management personnel compensation;

	2014	2013
Salaries and short-term employee benefits	3,795	2,424
Social security fund contribution	381	220
Provident fund contribution	296	171
	4,472	2,815

36 Contingencies and commitments

(a) Guarantees and indemnities
The Bank had outstanding guarantees, indemnities and endorsements at the year ended of GH¢264.9m (Dec 2013: GH¢92.2m)
(b) Contingent liability
The Bank had established documentary credits at year end of GH¢89.4m (Dec 2013: GH¢81.5m)
(c) Commitments
There were no commitments outstanding at the end of the year (Dec 2013: no commitment)

37 Regulatory disclosures

(i) Non-Performing Loans Ratio
Percentage of gross non-performing loans ("substandard to loss") to total credit/advances portfolio (gross) 2.52% (Dec 2013: 5.68%).
(ii) Breaches in Statutory Liquidity
Generally, the Bank complied with all requirements with respect to statutory liquidity.

[All amounts are expressed in thousands of Ghana cedis unless otherwise stated]

38. Business combination

(i) Acquisition of ProCredit Savings and Loans Company Limited

On 1 October 2014, the Bank acquired 100% of the voting shares of Procredit Savings and Loans Company Limited ("ProCredit Ghana") from ProCredit Holding Germany (PCH) and the DOEN Foundation of the Netherlands.

The following table summarises the consideration paid by the Bank, the fair values of assets acquired and liabilities assumed:

Consideration at 1 October 2014	
Cash	36,743
Recognised amounts of identifiable assets acquired and liabilities assumed	
Assets	
Cash and bank balances	5,040
Loans and advances to banks	8,053
Loans and advances to customers	99,188
Other assets	6,228
Property, plant and equipment	40,636
Intangible assets	1,691
Current income tax assets	669
Deferred income tax assets	670
Total identifiable assets	162,175
Liabilities	
Liabilities to banks	6,982
Liabilities to customers	107,553
Other borrowed funds	644
Creditors and accruals	2,666
Provision	426
Subordinated debt	9,499
Total identifiable liabilities	127,770
Total identifiable net assets at fair value	34,405
Goodwill arising on acquisition (Note 23)	2,338
	36,743

(ii) Purchase consideration

The acquisition was settled wholly in cash at GH¢36,742,500.

(iii) Goodwill

The goodwill of GH¢2,338,000 recognised on the acquisition relates to the expected growth and synergies arising from the acquisition, and the acquired customer base which cannot be separately recognised as an intangible asset. This goodwill has been allocated to the Bank's retail segment and is not expected to be deductible for tax purposes.

(iv) Acquisition-related costs

Acquisition-related costs of GH¢989,102 have been charged to administrative expenses for the year ended 31 December 2014.

Shareholder Information

Top 20 Ordinary Shareholders as at 31 December 2014

	Name of shareholder	2014 Shareholding	
		No. of Shares	Percentage
1	Africa Capital LLC	8,110,250	32.12%
2	KTH Africa Investments	3,787,500	15.00%
3	Social Security & National Insurance Trust	2,400,000	9.50%
4	ENO International LLC	2,235,000	8.85%
5	Amethis Finance Netherlands B. V.	1,893,750	7.50%
6	ERES Invest Coöperatief U. A.	1,893,750	7.50%
7	SIC Life Company Limited	1,065,818	4.22%
8	Lifeforms Limited	690,000	2.73%
9	Mr. Kwamina Duker	511,250	2.02%
10	Mr. Edward Effah	395,000	1.56%
11	H.E. Mrs. Johanna Odonkor Svanikier	258,970	1.03%
12	Mr. Bernard Lind	237,500	0.94%
13	Fidelity Trust	194,394	0.77%
14	Mr. Philip Addison	150,000	0.59%
15	Mr. Jonathan Adjetey	125,000	0.50%
16	Ghana Commercial Bank	125,000	0.50%
17	Business Development Consultancy	125,000	0.50%
18	Mr. David Boatin	100,000	0.40%
19	Mr. Jim Baiden	85,000	0.34%
20	Mr. Alex Dodoo	82,424	0.33%
	Others	784,394	3.10%
	Total	**25,250,000**	**100.00%**

Shareholder Information

Analysis of shareholding as at 31 December 2014

Category	Number of Shareholders	Number of Shares	% Holding
1 - 50,000	25	471,970	1.88%
50,001 - 500,000	14	2,190,712	8.70%
500,001 - 1,000,000	2	1,201,250	4.75%
Over 1,000,000	7	21,386,068	84.67%
Total	48	25,250,000	100.00%

Directors' holding

Directors	Number of Shares	% Holding
Dr. William Panford Bray	**52,424**	0.21%
Edward Effah	**395,000**	1.56%
Kwamina Duker	**511,250**	2.02%
H.E. Mrs. Johanna Odonkor Svanikier	**258,970**	1.03%
Jim Baiden	**85,000**	0.34%
Alex Dodoo	**82,424**	0.33%
Total	**1,385,068**	5.49%

Preference Shareholders as at 31 December, 2014

Shareholder	No. of Pref shares	% Holding
AIAK	**4,000,000**	38.46%
KTH Africa Investments	**2,000,000**	19.23%
SSNIT	**1,400,000**	13.46%
SIC Life	**1,000,000**	9.62%
Amethis Finance Netherlands B.V.	**1,000,000**	9.62%
ERES Invest Coöperatief U. A.	**1,000,000**	9.62%
Total	**10,400,000**	100.00%

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