

2014

Annual Report

& FINANCIAL STATEMENTS



GOVERNANCE INFORMATION

BOARD OF DIRECTORS

Nana Soglo Alloh IV - Chairman

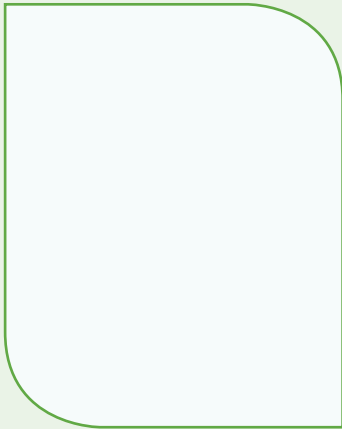
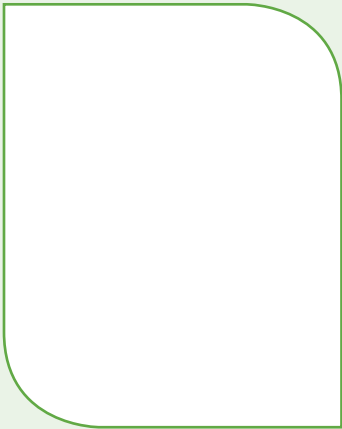
Mr. Stephen Kpordzih - Managing Director

Mr. Abdul-Samed Iddrisu - Executive Director

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1.0 BACKGROUND ANALYSIS

1.1 Developments in the World Economy

The global economy grew by an estimated figure of 3.3% in 2014 which was the same as 2013 but was below the projected growth rate of 4.1%. The Sub-Saharan African growth declined from 5.2 % in 2013 to 4.8 % in 2014 on account

The Cedi continued to experience some challenges and ended 2014 with a cumulative depreciation of 31.2% against the US dollar as compared with 14.5% in 2013. This was mainly due to demand pressures from official sources, largely

4.0 STRATEGIC PLAN 2014 - 2016

The bank completed the first year of its three year Strategic plan which sought to consolidate the bank's risk-based sustainable growth and competitiveness and achieved some successes as outlined in the financial performance. However, the growth was hampered by inadequate capital. The bank has started the process of listing on the Stock Exchange to raise additional capital to expand operations and increase shareholders' worth.

In line with the listing on the Stock Exchange, a new five year strategic plan for 2015-2019 has been prepared to replace the existing 3-year strategic plan. This new plan seeks to harness the successes chalked out of the previous strategies and build on them to create results-oriented themes that would improve and sustain (and)0. (art)10pladmes Se yon the

Mr. Stephen Kpordzih – Managing Director

Appointed Managing Director in August 2009, he holds an MBA (Finance) from University of Leicester, UK, and a Post-Graduate Certificate c Strategic Bank Management from

Robert Karikari Darko – Executive Head-SME Banking

He holds an Mphil in Development Economics from the University of Oslo, Norway and

Business Growth

Total assets grew by 33.0% from GH¢1,621.8 million in 2013 to GH¢2,156.7 million in 2014. This was mainly on account of increase in loans and advances, investments and cash equivalents. The net total loans and advances went up by 22.9% from GH¢914 million in 2013 to GH¢1,124.1 million in 2014. This constituted 52.1% of the total assets. Total deposits also grew by 37.8% from GH¢1,061.1 million to GH¢1,462.1 million over the review period. This constituted 67.8% of total liabilities and shareholders' funds. Finally, Shareholders' funds also went up by 22.4% from GH¢280.9 million at the year-end 2013 to GH¢343.9 million at year-end 2014.

Branch Network

During the year, the Tema Meridian branch was opened, increasing the Bank's total branches to seventy eight (78). Refurbishments were also carried out on our Dormaa Ahenkro, Kaneshie Main and Sunyani branches, whereas the Takoradi, Dansoman and Kpeve Branches were remodelled. (Takoradi and Kpeve branches were remodelled in 2013 and 2014 respectively).



In accordance with section 29(c) of the Banking Act, 2004 (Act 673) as amended, an amount of GH¢5,983,146 (2013: GH¢20,157,163) was transferred to the Statutory Reserve Fund from the Retained Earnings account bringing the cumulative balance on the Statutory Reserve Fund at the year end to GH¢ 84,890,667 (2013: GH¢ 78,907,520).

Review Of Exposure Limits

Section 42 of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738) requires that secured and non-secured facilities should not exceed 25% of the bank's capital and reserves.

Commitment to Corporate Governance

The key guiding principles of the Bank's governance practices are:

1. Good corporate governance enhances shareholder value









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1. REPORTING ENTITY

4. USE OF JUDGEMENTS AND ESTIMATES (CONT'D)

(a) Assumptions and estimation uncertainties (cont'd)

A collective component of the total allowance is established for:

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

The collective allowance for groups of homogeneous loans is established using statistical methods such as a formula approach based on historical loss rate experience. Management applies judgment to ensure that the estimate of loss

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5. FINANCIAL RISK REVIEW (CONT'D)

Repurchase agreement transactions

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5. FINANCIAL RISK REVIEW (CONT'D)

Loans and advances to customers

(cont'd)

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FOR THE YEAR ENDED 31 DECEMBER 2014

5. FINANCIAL RISK REVIEW (CONT'D)

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FOR THE YEAR ENDED 31 DECEMBER 2014

5. FINANCIAL RISK REVIEW (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2014

5. FINANCIAL RISK REVIEW (CONT'D)

Foreign exchange risk

(cont'd)

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5. FINANCIAL RISK REVIEW (CONT'D)

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

	Average rate		Reporting rate	
	2014	2013	2014	2013
Cedis				
US\$ 1	2.9773	1.9804	3.2001	2.1616
GPE 1	4.9698	3.1198	4.9892	3.5726
€1	4.0121	2.6549	3.8813	2.9862

Sensitivity Analysis on Currency Risks

The following table shows the effect of the strengthening or weakening of the GH¢ against all other currencies on

5. FINANCIAL RISK REVIEW (CONT'D)

Cashflow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date will have increased/decreased profit or loss by amounts shown below. Each analysis assumes all other variables in particular foreign currency rates remain constant.

The analysis is performed on the same basis for 2014.

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FOR THE YEAR ENDED 31 DECEMBER 2014

5. FINANCIAL RISK REVIEW (CONT'D)

Capital adequacy of banks in Ghana is monitored by the Central Bank of Ghana for supervisory purposes. The reporting information is based on the Capital Adequacy Ratio (CAR) of banks in Ghana.

The Central Bank requires each bank to:

a)

FOR THE YEAR ENDED 31 DECEMBER 2014

5. FINANCIAL RISK REVIEW (CONT'D)

	2014	2013
	GH¢'000	GH¢'000
Tier 2 Capital		
Available for sale reserve	35,351	20,395
Revaluation reserve	1,747	1,748
Total	37,098	22,143
 Total regulatory capital	 172,628	 171,232
 Risk weighted assets		
On-balance sheet items	1,264,586	994,047
Off-balance sheet items	144,877	88,012
Total risk weighted assets	1,409,463	1,082,059

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FOR THE YEAR ENDED 31 DECEMBER 2014

6. FAIR VALUES OF FINANCIAL INSTRUMENTS – (CONT'D)

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FOR THE YEAR ENDED 31 DECEMBER 2014

7. INTEREST INCOME



FOR THE YEAR ENDED 31 DECEMBER 2014

10. NET TRADING INCOME

	2014

(cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2014

FOR THE YEAR ENDED 31 DECEMBER 2014

15. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit attributable to shareholders by the number of ordinary shares

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FOR THE YEAR ENDED 31 DECEMBER 2014

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FOR THE YEAR ENDED 31 DECEMBER 2014



FOR THE YEAR ENDED 31 DECEMBER 2014

21. INVESTMENT IN ASSOCIATE COMPANIES (CONT'D)

	2014	2013
	GH¢'000	GH¢'000
Carrying amount of immaterial associates	640	640
Loss from continuing operations	(101)	-
At 31 December		

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24. PROPERTY AND EQUIPMENT

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FOR THE YEAR ENDED 31 DECEMBER 2014

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- Impairment losses on intangible assets were recognized during the year (2013: Nil)
- There were no capitalized borrowing costs related to intangible assets during the year (2013: Nil)

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FOR THE YEAR ENDED 31 DECEMBER 2014

29. OTHER LIABILITIES – (CONT'D)***Sensitivity of results***

The results of the valuation are sensitive to the assumptions chosen. The table below gives indication of the sensitivity of the 2014 accrued liability results to changes in the main valuation assumptions.

The sensitivities as done as by adding the stated percentage onto the current assumption except for mortality where all death rates have been increased by the relevant percentages.

Sensitivity of results

(cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2014

33. AVAILOR SALE RESER 0.2 10E

FOR THE YEAR ENDED 31 DECEMBER 2014

36. NOTES TO THE STATEMENT OF CASH FLOWS



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FOR THE YEAR ENDED 31 DECEMBER 2014

37. CONTINGENCIES AND COMMITMENTS INCLUDING OFF BALANCE SHEET ITEMS

In common with other banks, the bank conducts business involving acceptances, guarantees, performances and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. The Bank also holds

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38. RELATED PARTY TRANSACTIONS (CONT'D)

(cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2014

39. DEFINED CONTRIBUTION PLAN

Contributions to the statutory defined contribution

	2014	2013
	GH¢'000	GH¢'000
Pension scheme, the National Social Security Fund	6,873	6,313
Provident Fund	7,928	7,279
	14,801	13,592

40. ASSETS PLEDGED AS SECURITY**Pledged Assets**

At 31 December 2014 the value of government securities pledged as collateral was GH¢16,000,000 (2013: GH¢20,850,000).

41. COLLATERAL ACCEPTED AS SECURITY FOR ASSETS

At 31 December 2014 the value of government securities accepted as collateral that the bank is permitted to sell or re-pledge in the event of default was GH¢2,057,700 (2013: GH¢1,200,000). These are pledged to the bank in connection with the bank's P2

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Credit Risk

Credit risk is the risk of financial loss to the bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the bank's loans and advances to customers and other banks and investment securities.

For risk management reporting purposes, the bank considers and consolidates all elements of credit risk exposure.

Management of credit risk

(cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2014

- Documentation of controls and procedures;
-

FOR THE YEAR ENDED 31 DECEMBER 2014

47. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in Note 46, the Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

Certain comparative information in Note 46, the Bank has applied the same accounting policies to the comparative financial statements for the year ended 31 December 2013.

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(g) Income Tax The Bank was not liable to corporate tax as per the Agricultural Development Bank Act 1965 (Act 286) as amended by the National Liberation Council Decree (NLCD) 182 of 1967 and the Agricultural Development Bank Act 1970 (Act 352) for the period January 2014 to 18 August 2014. Subsequently, the Bank has been liable to pay corporate tax.

The Bank is however liable to pay the National Fiscal Stabilization Levy (NFSL) in accordance with the National Fiscal Stabilisation Levy 862 which became effective from 12 July 2013. Under the Actf a 5% levy will be charged on profit before tax and is payable quarterly.

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FOR THE YEAR ENDED 31 DECEMBER 2014

(iii)

FOR THE YEAR ENDED 31 DECEMBER 2014

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FOR THE YEAR ENDED 31 DECEMBER 2014

evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or

FOR THE YEAR ENDED 31 DECEMBER 2014

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FOR THE YEAR ENDED 31 DECEMBER 2014

(ii) Available-for-sale

'Available-for-sale investments' are non-derivative investments that are designated as available for- sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss (See Note: (a)). Impairment losses are recognised in profit or loss (See Note (h) (vii)).

FOR THE YEAR ENDED 31 DECEMBER 2014

useful lives of each part of an item or property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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FOR THE YEAR ENDED 31 DECEMBER 2014

Deposits and borrowings from other banks are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank chooses to carry the

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FOR THE YEAR ENDED 31 DECEMBER 2014

item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within acceptable profitable range.

The Bank makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is

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FOR THE YEAR ENDED 31 DECEMBER 2014

Standard/Interpretation		Date issued by IASB ⁽¹⁾	Effective date Periods beginning on or after
IFRS 9	<i>Financial Instruments</i>	July 2014	1 January 2018
IAS 27	<i>Equity Method in Separate Financial Statements</i>	August 2014	1 January 2016
IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>		

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FOR THE YEAR ENDED 31 DECEMBER 2014

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured. As a consequence of these amendments, the Group will amend its accounting policy with effect from 1 July 2016 for acquisitions of interests in a joint operation. (The amendments to IFRS 11 will be effective from 1 January 2013.)

The amendments to IFRS 11 will be effective from 1 January 2013.

FOR THE YEAR ENDED 31 DECEMBER 2014

or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 *Disclosure of Interests in Other Entities*

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49. NON-COMPLAINE WITH SECTIONS OF THE BANKING ACT (ACT 673) AS AMENDED BY THE BANKING AMENDMENT (ACT 738)**REVIEW OF EXPOSURE LIMITS**

Section 42 of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738) requires that secured and non-secured facilities should not exceed 25% and 10% of the company's net worth respectively. As at 31 December 2014 one facility had breached the secured prescribed exposure limit of 25%.

REVIEW OF INVESTMENT IN RESPECT OF OTHER INSTITUTIONS

Section 48 of the Banking Act, 2004 (Act 673) as amended by the Banking Amendment Act, 2007 (Act 738) requires a bank not to invest or hold investments in the share capital of a corporation or an institution other than its subsidiaries, the aggregate amount of which exceeds 10% of the net own funds of the bank. The Bank's investment in other institutions amounted to 14.08% of its net funds which is a breach of this regulation.

Greater-Accra Region

30. Abeka La-Paz Branch

P. O. Box 4191, Accra

Tel: 030- 2950925, 028-9535075

Fax: 030- 2244649

31. Accra Makola Branch

48.

Volta Region	
67. Denu Branch	
P. O. Box 31, Denu	
Ho Branch	
P. O. Box HP 1277, Ho	
Hohoe Branch	
P. O. Box 143, Hohoe	
Juapong Branch	
P. O. Box 31, Juapong	
Kpando Branch	
P. O. Box 10, Kpando	
Kpeve Branch	
c/o P. O. Box 10, Kpando	
Nkwanta Branch	
P. O. Box 40, Nkwanta	
Sogakope Branch	
Private Mail Bag, Sogakope	
o Agency	
P. O. Box 27	
oe	

Western Region	
76. Agona Nkwanta	
P. O. Box 19, Agona Nkwanta	
76. Ho Branch	
c/o P. O. Bo	
76.	
c/o P. O. Bo	
76.	
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