

SG-SSB Limited

**ANNUAL REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31ST DECEMBER, 2004



MANAGING DIRECTOR'S REVIEW

Once again it is time for me to report on the operational activities and achievements of the Bank in the year just ended.

2004 Operating Results

The Bank made a Profit Before Tax of $\text{¢}168.7$ billion this year compared with $\text{¢}114.5$ billion in year 2003, an increase of $\text{¢}54.2$ billion which represents a 47.3% increase over the previous year. The increase was due mainly to increase in activity generally, as well as commission and fees, and reduction in charge for Bad and Doubtful Debts.

The increase in Operating Expenses was mainly due to staff costs: hiring of new staff and increase in remuneration of staff during the year.

The Profit After Tax increased by 20.7% from $\text{¢}87.9$ billion in year 2003 to $\text{¢}106.1$ billion in year 2004.

Income earned from Loans and Advances increased from $\text{¢}146$ billion in 2003 to $\text{¢}151.1$ billion in 2004 in spite of the fall in interest rate and the cleaning up of the Bank's Credit Portfolio.

Total assets of the Bank rose from $\text{¢}2,089.7$ billion in 2003 to $\text{¢}2,439.2$ billion in 2004 an increase of 16.7%. This was mainly as a result of increase in Government securities from $\text{¢}607.9$ billion in 2003 to $\text{¢}878.7$ billion in 2004 and increase in Property, Plant and Equipment from $\text{¢}78.1$ billion in 2003 to $\text{¢}104.2$ billion in 2004, particularly in the area of information technology.

During the year, total deposits increased from $\text{¢}1,263$ billion to $\text{¢}1,579.9$ billion, an increase of 25.1% as a result of effective and efficient deposit mobilization by the Bank.

Shareholders' funds increased by 32.5% from $\text{¢}326.4$ billion in 2003 to $\text{¢}432.6$ billion in 2004.



Review of Operations

Our goal is to make SG-SSB the Preferred Bank. This is emphasized in our Mission Statement. To achieve this, we are following a market segmentation strategy and aligning our resources more effectively to meet the needs of our customers in the four target markets: Retail; Entrepreneur; SME and Corporate.

To this end, the following developments occurred in 2004.

- New procedures for credit approval and policy review to enhance credit portfolio growth.
- Foreign Operations Unit transformed into International Business Centre with four Import and Export Managers.
- Significant increase in volume of International Operations.

Proparco and Ariz Credit Facility Agreement

The Bank executed two credit facility agreements worth 10 million and 760,000 Euros with Proparco, a subsidiary of Agence Francaise de Development (AFD) a development finance institution, incorporated in France and committed to private sector financing and a Global Agreement relating to Ariz Guarantees (ARIZ Agreement) respectively for onward lending to private export-oriented companies.

The (ARIZ Agreement) is a guarantee scheme to facilitate the financing of small and medium-scale enterprises (SMEs) in which the Bank acts as the Credit Institution that grants loans to the SMEs.

Ghanaian/Italian Co-operation Private Sector Development Fund

In line with SG-SSB's policy of supporting small and medium scale enterprises (SMEs), the Bank has signed an on-lending agreement with the Bank of Ghana making it eligible for the Ghana Private Sector Development Fund (GDSDP). The GDSDP is an SME credit facility provided by the Italian Government through the Ghanaian Government.



Information System and Technology

2004 saw a reorganization of the Information System function into four Units: Research and Development; Production; System and Network and Office Automation.

Purchasing Policy

A new Purchasing Policy was introduced.

Products and Services

With the launch of the new customer segments and focused marketing, the need for appropriate products and services for each segment was focused on.

Our multi channel banking approach allows us to reach our different customers using different IT methods which provide them with 24 hour banking services any where and at any time.

2004 saw the revamping of some existing products such as Sikatext and MoneyGram.

Sikatext which was the first ever-functional SMS Banking Service to be introduced in Ghana, which enables customers check their balances and forex rates with the use of a GSM phone under Spacefon coverage received a further boost with the addition of two new features. These were the Statement Request and Units Recharge options in October. This saw an increase in customer base of 29% and an additional revenue stream of approximately 18%.

MoneyGram transactions grew 28.6% and Commissions over 44% of the previous year's results. This remarkable performance is a result of improved customer service, service expansion and enhanced marketing both locally and in the corridor countries.

Visa Cards

The Bank launched its Cards product made up of 4 Visa cards, 15 ATMs and Electronic Point of Sales Terminals (EPOST) - VISA Trump Cards suited for the needs of the various individual customer segments. This was made up of two international Cards and two Domestic Cards.

The International Cards include a VISA Gold Card, which is the first ever Gold Card to be issued in



Ghana. This was supported with an intensive Merchant programme which saw over 240 merchants registering to have VISA EPOST installed at their businesses.

Internet Banking, new Deposit and Credit products and other remittance products are currently being developed for 2005.

Branch Network

Three branches namely, Ministries, Lotteries and Accra Central branches were merged into one branch and relocated to an ultra modern building - Premier Towers. The Bank however continues to operate Lotteries, as an Agency of the Premier Towers Branch.

New branches and refurbishment of existing branches are being discussed in line with our standard branch design consistent with our new branding.

- A new branch building has been completed for the relocation of the Juabeso Branch.
- Tema Fishing Harbour Branch has been completely refurbished and expanded.
- Two plots of land have been bought for proposed branch buildings in Accra.
- New buildings for our Kaneshie and Tamale Branches are under construction. An agency will be maintained in the Kaneshie market to continue to serve a specific target market in the locality.
- For 2005, projects include relocation of Sefwi Bekwai and Tarkwa Branches and the refurbishment of the Kumasi Central, Adum, Tudu and Cape Coast Branches. Review of our branch network will continue.

Risk Management

The year's developments were characterized by strong risk management. The structure that was introduced for managing risk and improving risk management procedures in 2003 was further strengthened in 2004. Additional measures were introduced to improve the quality of the Bank's loan portfolio. Thus the quality of the Bank's loan portfolio showed tremendous improvement in 2004. The cost of risk also scaled back significantly.



Ghana. This was supported with an intensive Merchant programme which saw over 240 merchants registering to have VISA EPOST installed at their businesses.

Internet Banking, new Deposit and Credit products and other remittance products are currently being developed for 2005.

Branch Network

Three branches namely, Ministries, Lotteries and Accra Central branches were merged into one branch and relocated to an ultra modern building - Premier Towers. The Bank however continues to operate Lotteries, as an Agency of the Premier Towers Branch.

New branches and refurbishment of existing branches are being discussed in line with our standard branch design consistent with our new branding.

- A new branch building has been completed for the relocation of the Juabeso Branch.
- Tema Fishing Harbour Branch has been completely refurbished and expanded.
- Two plots of land have been bought for proposed branch buildings in Accra.
- New buildings for our Kaneshie and Tamale Branches are under construction. An agency will be maintained in the Kaneshie market to continue to serve a specific target market in the locality.
- For 2005, projects include relocation of Sefwi Bekwai and Tarkwa Branches and the refurbishment of the Kumasi Central, Adum, Tudu and Cape Coast Branches. Review of our branch network will continue.

Risk Management

The year's developments were characterized by strong risk management. The structure that was introduced for managing risk and improving risk management procedures in 2003 was further strengthened in 2004. Additional measures were introduced to improve the quality of the Bank's loan portfolio. Thus the quality of the Bank's loan portfolio showed tremendous improvement in 2004. The cost of risk also scaled back significantly.



The Risk Division has begun putting structures in place towards adopting the implementation of the new Basel Capital Accord. There is the move by the Ghana Association of Bankers to establish a Credit Referencing Bureau aimed at improving the credit environment of our financial system. We are putting the necessary structures in place to fully adapt to this introduction.

We are also looking at improving the credit delivery process for the SME and Entrepreneur markets to ensure speed of delivery.

Organisation and Human Resource

The concept of an Organisation and Human Resources Division was introduced in 2004. The Organisation Division was created to take responsibility for organisation and business analysis designed to increase competitiveness, performance and quality. It also has the responsibility among others of putting projects in place operationally; writing of procedures and developing the culture of quality in the Bank.

Human Resources

We are fully aware that for us to achieve our objective of being the preferred banking institution, the development of our people and their skills is an imperative. We insist on identifying and improving the capability of our staff. Intensive training is therefore a continuous feature.

A significant development has been the introduction in 2004 of the SocGen Global Employee Share Ownership Plan where employees of SG-SSB own shares in the Société Générale Group.

Social Responsibility

Our external monetary social responsibility contributions were effected through donations to the Ghana National Trust Fund, Ghana Heart Foundation, University of Ghana, Ministry of Food and Agriculture and other corporate, local and cultural institutions.



Acknowledgement

I would like to thank my Executive Management team and all staff of SG-SSB for their efforts and professionalism in contributing to our achievements in 2004.

The Future

Regarding the year ahead, I am confident that the plans we have put in place will allow the Bank to continue to grow in all the different segments; with special emphasis on the SME and Entrepreneur markets. Secondly, we are strong both financially and in terms of people and well placed to respond to all opportunities.

Thank you.



Pierre André Taulet
Managing Director

FINANCIAL HIGHLIGHTS - 2000 - 2004

	2000	2001	2002	2003	2004
	₱bn	₱bn	₱bn	₱bn	₱bn
NET ADVANCES	484	404	578	746	745
INVESTMENTS	299	408	458	610	881
TOTAL ASSETS	1,217	1,366	1,713	2,090	2,439
TOTAL DEPOSITS	702	765	1,022	1,263	1,580
PROFIT BEFORE TAX	125	158	117	115	169
SHAREHOLDERS FUNDS	169	220	259	326	433
	₱	₱	₱	₱	₱
DIVIDEND PER SHARE	400	480	480	700	900
SPECIAL ANNIVERSARY DIVIDEND	-	-	120	-	-

	2004	2003	Percentage
	₱bn	₱bn	Change
NET ADVANCES	745	746	0.13
INVESTMENTS	881	610	+44
TOTAL ASSETS	2,439	2,090	+17
TOTAL DEPOSITS	1,580	1,263	+25
PROFIT BEFORE TAX	169	115	+47
SHAREHOLDER'S FUNDS	433	326	+33



REPORT OF THE DIRECTORS

The Directors in submitting to the shareholders the financial statements of the Bank for the year ended 31st December 2004 report as follows:-

	¢'m
The Bank recorded a net profit before taxation of	168,670
From which is deducted taxation and national reconstruction levy of	<u>62,521</u>
giving a net profit after taxation of	106,149
from which is deducted a final dividend of ¢900 (2003: ¢700) per share amounting to	64,125
leaving a total of	<u>42,024</u>
Less: Transfer to Statutory Reserve of	<u>13,269</u>
giving profit for the year after taxation, dividend, and transfer to Statutory Reserve of	<u>28,755</u>

Nature of Business

There has been no change in the nature of the business of the Bank. The Bank is a public company under the provisions of the Companies Code 1963, (Act 179) and is listed on the Ghana Stock Exchange.

Holding Company

Société Générale through its wholly owned investment subsidiary SG Financial Services Holding, owns 51% of the issued capital of the Bank, thus making SG SSB, a subsidiary of Société Générale.

Subsidiary SSB Investments Company Limited

SSB Investments Company Limited, a company incorporated in Ghana to manage the equity investments of the Bank, is a wholly owned subsidiary of the Bank.

The Registrar of Companies has granted a waiver under S127 (3) (b) (iv) of the Companies Code 1963, (Act 179) of the requirements for the consolidation of the accounts of the Bank with that of the subsidiary.



Directors

Details of the directors of the company as at the date of this report are given on page 4.

Re-Election of Directors

In accordance with Section 88 (1) of the Regulations of the Bank, Messrs Gerald Lacaze and Kofi Nti retire by rotation and being eligible, offer themselves for re-election as directors.

Gerald Lacaze

He holds an LLM & PhD in Law. Joined Société Générale in 1978 and is currently the General Secretary of Société Générale Head Office in charge of International Retail Banking Networks. He is a director of several Société Générale subsidiaries. He joined the Board of Directors of the Bank on 26 March 2003

Kofi Nti

He holds a BS and PhD in Management Science from the Yale University. He is Dean of the Ghana Business School, University of Ghana, Legon. He joined the Board of Directors on 26 March 2003.

Messrs. Philippe Vigue, Bernard Buyse, Pierre Wolmarans and Mrs. Teresa Ntim who were appointed as directors during the year and retiring in accordance with Section 72 (1) of the Regulations, being eligible offer themselves for re-election.

Philippe Vigué

He holds a licence in law and joined Société Générale in 1971. He worked in various capacities including General Inspection, Head of Central Risk Control Department, Area Manager, Managing Director Société Générale, Canada. He is currently the Deputy Head of International Retail Banking (BHFM) and supervises with the Head, approximately 30 subsidiaries of (BHFM).



Bernard Buyse

He holds degrees in sciences and joined Société Générale in 1973 working in various capacities including branch work, international auditing, head of finance/administration in SG Indonesia and Cameroun. He is charge of the Finance and Administration Division of SG SSB.

Pierre Wolmarans

He holds an LL.B and B Comm (Law, Economics & Accountancy 3A) and is an attorney by profession. He joined Société Générale as a senior manager in 1990. He is presently the Chief Executive for Société Générale Corporate & Investment Bank Southern Africa and Indian Ocean Region (SGCIB) Johannesburg.

Mrs. Teresa Ntim

She holds a Bsc. and Msc. in Agricultural Economics. Her career spans over 33 years with the Bank of Ghana serving in different capacities in the Research, Rural Finance, Development Finance and Foreign Operations departments and was Head of Treasury from 1993 to 1997. She also served as Special Advisor to the Governor to the Bank of Ghana among others and retired in 2004.



Directors' Interest

None of the Directors holding office at the end of the year had any interests in the shares of the Bank.

None of the Directors had any interests in the shares of the Bank's subsidiary at any time during the year.

None of the Directors had a material interest in any contract of significance with the Bank during the year.

Auditors

In accordance with section 134 (5) of the Companies Code, 1963, Ernst & Young has agreed to continue in office as the company's auditors.

A resolution to authorize the directors to determine their remuneration will be proposed at the Annual General Meeting.

Special Resolutions

The Directors in order to comply with the Bank of Ghana requirement on minimum paid up stated capital are proposing the following special resolutions:

Increase in Authorized Shares

That the number of authorized shares of the company be increased from 100,000,000 shares to 500,000,000 shares.

Transfer from Income Surplus

That the Company transfers c63,265,000.000 from its income surplus account to stated capital.

Bonus Shares

That Bonus Shares of one bonus share for each share currently held by the shareholders be allotted and that 71,250,000 shares be issued to support the said allotment.

Authorization to Repurchase Shares

The Directors will request for the renewal of the authorization for the Bank to repurchase its own shares granted to the Board of Directors by the shareholders on 30th March 2004.



Substantial Shareholders

Details of the Bank's twenty largest shareholders are disclosed in note 37.

Corporate Governance

SG - SSB respects the standards of good corporate governance, which include transparency, accountability and rights of all its stakeholders.

Audit Committee

In line with its corporate governance principles, the Board has an Audit Committee made up of the following non-executive directors:

Gerald Lacaze	-	(Chairman)
Michel Miaille	-	Member
Kofi Nti	-	Member
Kofi Ampim	-	Member
Dr. Kwaku Osafo	-	Member
Mrs Teresa Ntim	-	Member

In attendance are the Managing Director, General Manager in charge of Finance, the General Inspector and where necessary, the Bank's External Auditors.

This Committee reviews and makes recommendations to the Board, on all aspects of the audit and financial reporting processes.

Compliance with Securities and Exchange Commission Regulations

The Bank has complied with the regulations of the Securities and Exchange Commission (L.I. 1728 Regulation 61) and has submitted to the Commission as requested, two (2) reports on its activities for the year 2004.

In fulfilment of the Securities and Exchange Commission requirements, we present a summary of the reports so submitted.

- That the Audit Committee was scheduled to meet three times a year.
- Overview and review of the Inspection Department and its functions.
- Report on the introduction of permanent supervision in the Bank to ensure continuous monitoring of operational activities.



- Confirmation of the anti money laundering procedures introduced as well as a disaster recovery policy.
- Checks were put in place by the Inspection Department to address fraud cases perpetuated against the Bank.
- The External Auditors submitted their audit plan for the year and concluded that the audit approach will be risk based and any audit will comply with International Standards on auditing and the Companies Code 1963, (Act 179).

Acknowledgement

The directors will like to place on record with appreciation the dedicated and efficient service rendered during the year by employees of the Bank.

By Order Of The Board



.....
CHAIRMAN
(Gerald Lacaze)



.....
MANAGING DIRECTOR
(Pierre André Taulet)

Accra

22nd February 2005



REPORT OF THE AUDITORS TO THE MEMBERS OF SG-SSB LIMITED

We have audited the financial statements of SG-SSB Limited for the year ended 31 December 2004 as set out on pages 22 to 45. These financial statements are the responsibility of the Bank's directors. Our responsibility is to express an independent 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Bank's transactions were within its powers, proper books of account have been kept and the financial statements which are in agreement herewith give a true and fair view of the state of affairs of the Bank as of 31 December 2004 and of the profit and cash flows of the Bank for the year then ended in accordance with Ghana Accounting Standards and comply with Ghana Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673).



Ernst & Young
Chartered Accountants

Accra
22nd February 2005



BALANCE SHEET AS OF 31 DECEMBER 2004

	Notes	2004 c'm	2003 c'm
ASSETS			
Cash and balances with Bank of Ghana	5	245,932	207,141
Government securities	6	878,691	607,856
Due from other banks and financial institutions	7	412,450	381,692
Investment in other securities	8	2,279	2,221
Loans and advances to customers	9	744,617	746,277
Investment in subsidiary	10	528	528
Other assets	11	23,052	21,698
Taxation	12	27,391	44,239
Property, plant and equipment	14	104,226	78,098
TOTAL ASSETS		2,439,166	2,089,750
LIABILITIES			
Customer deposits	15	1,579,923	1,263,210
Due to banks and other financial institutions	16	241,931	228,351
Other liabilities	17	243,313	266,214
Deferred taxation	12	5,573	5,573
TOTAL LIABILITIES		2,070,740	1,763,348
SHAREHOLDERS' FUNDS			
Stated capital	18	6,735	6,735
Share deals account	19	29,438	29,438
Capital surplus	20	16,538	16,538
Income surplus account		234,849	206,094
Statutory reserve	21	80,866	67,597
TOTAL SHAREHOLDERS' FUNDS		368,426	326,402
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		2,439,166	2,089,750
Net assets per share (Cedis per share)	35	5,171	4,581

Signed on behalf of the Board

22 February 2005



CHAIRMAN



MANAGING DIRECTOR

The attached notes 1 to 37 form an integral part of these financial statements.



**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	2004 €'m	2003 €'m
Interest income	22	317,147	318,551
Interest expense	23	(71,416)	(86,279)
NET INTEREST INCOME		245,731	232,272
Fee and commission income		127,065	100,202
Other operating income	24	12,696	17,971
OPERATING INCOME		385,492	350,445
Operating expenses	25	(217,802)	(181,738)
Charge for bad and doubtful debts	27	(22,019)	(55,647)
OPERATING PROFIT		145,671	113,060
Other income	28	22,999	7,264
PROFIT BEFORE EXCEPTIONAL ITEM AND TAXATION		168,670	120,324
Exceptional item	29	-	(5,791)
PROFIT BEFORE TAXATION		168,670	114,533
National Reconstruction Levy	12	(19,141)	(11,453)
Taxation	13	(43,380)	(15,155)
PROFIT AFTER TAXATION TRANSFERRED TO INCOME SURPLUS		106,149	87,925

The attached notes 1 to 37 form an integral part of these financial statements.



**INCOME SURPLUS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004**

	2004 ¢'m	2003 ¢'m
Balance as of 1 January	206,094	179,035
Net profit transferred from profit and loss account	106,149	87,925
	312,243	266,960
Transfer to statutory reserve fund	(13,269)	(10,991)
Dividend	(64,125)	(49,875)
Balance as of 31 December	234,849	206,094
Earnings per share (Cedi per share)	1,490	1,286
Dividend per share (Cedi per share)	900	700

The attached notes 1 to 37 form an integral part of these financial statements.



**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Note	2004 €'m	2003 €'m
OPERATING ACTIVITIES			
Operating profit before taxation		168,670	114,533
Adjustments for:			
Depreciation		20,384	20,632
Dividend from investments		(244)	(2,599)
Profit on sale of investments		(15,580)	(5,553)
Profit on sale of property, plant and equipment		(700)	(294)
Operating profit before working capital changes		172,530	126,719
(Increase) / decrease in other assets		(1,354)	2,719
(Decrease) / increase in other liabilities		(37,497)	50,631
Increase in customer deposits		316,713	241,626
Decrease / (increase) in loans and advances to customers		1,660	(168,434)
Increase / (decrease) in borrowings		13,580	(23,245)
Cash from operations		465,632	230,016
Tax paid		(31,230)	(54,663)
National Reconstruction Levy paid		(14,443)	(20,630)
Net cash flow from operating activities		419,959	154,723
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(46,539)	(18,244)
Proceeds from sale of property, plant and equipment		727	959
Increase in investments (Government and other securities)		(272,479)	(151,614)
Proceeds from sale of investments		17,166	6,131
Dividend received		244	2,599
Dividend paid		(49,529)	-
Net cash used in investing activities		(350,410)	(160,169)

The attached notes 1 to 37 form an integral part of these financial statements.



**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Note	2004 €'m	2003 €'m
FINANCING ACTIVITIES			
Proceeds from sale of treasury shares		-	29,176
Net cash from financing activities		-	29,176
INCREASE IN CASH AND CASH EQUIVALENTS	30	69,549	23,730
Cash and cash equivalents as of 1 January		588,833	565,103
CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER	30	658,382	588,833

The attached notes 1 to 37 form an integral part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

1. ACTIVITIES

SG-SSB Limited is a public company registered under the provisions of the Companies Code 1963, Act 179 and is listed on the Ghana Stock Exchange. The Bank is licensed by Bank of Ghana to carry on the business of banking.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Bank prepares its financial statements under the historical cost convention as modified by the revaluation of leasehold land and buildings.

The significant accounting policies adopted are as follows:

Interest Income

The recognition of interest income ceases when the payment of interest or principal is in doubt and does so automatically if principal or interest payments are late by ninety days or more.

Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into Cedis at exchange rates ruling at the Bank's financial year end. Gains and losses resulting from currency translation or exchange are included in the profit or loss for the year.

Loan fee Income

Loan fees are credited to income as and when they fall due.

Investments

Investments are held for the purposes of trading and investment. Investments are included in the balance sheet at the lower of cost and market value. Gains and losses on the sale of investment securities are shown separately in other operating income or expensed when applicable.

Bills discounted and securities with fixed redemption dates which are purchased with the intention of being held to maturity are stated at amortised cost.

Loans and Advances

Loans and advances are stated in the balance sheet at the amount of principal and interest outstanding less any provision for bad and doubtful debts and interest in suspense.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Provision for bad and doubtful debts

Provisions for bad and doubtful debts are made, having regard to specific risks.

The provisions are made in respect of those advances that have been individually reviewed and specifically identified as bad or doubtful. In determining the level of provisions required, management considers the historic performance of individual clients.

Provisions made during the year are charged as a separate amount in the profit and loss account. Advances are written off when the extent of any loss has been confirmed.

A general provision is made on net contingent liabilities (off balance sheet items).

Property, plant and equipment

Premises and equipment owned by the Bank are stated at valuation/cost less accumulated depreciation. Depreciation is computed using the straight line method so as to write off the gross value of the assets over their estimated useful lives at the following rates.

	%
Land and buildings	3.00
Furniture and equipment	20.00
Computers	33.33
Household furniture	25.00
Motor vehicles	33.33

Taxation

The Bank provides for taxes at the current rates on taxable profits and capital gains.

Provision is made for deferred tax on exchange gain, appreciation in the value of Government of Ghana Index-Linked Bonds and by reason of temporary differences by which capital allowances granted exceed the corresponding depreciation charges.

Post balance sheet events

Events subsequent to the balance sheet date are reflected only to the extent that they relate to the financial statements and their effect is material.

3. GROSS NON-PERFORMING LOANS RATIO

The percentage of gross non-performing loans (substandard to loss) to total credit portfolio (gross) was 22% (2003: 27%).



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

4. SOCIAL RESPONSIBILITY OBLIGATIONS

The amount spent on fulfilling social responsibility obligations was c¢878 million (2003: c¢445 million).

5. CASH AND BALANCES WITH BANK OF GHANA

	2004 c'm	2003 c'm
Cash in hand	71,522	62,266
Balances with Bank of Ghana	174,410	144,875
	245,932	207,141

6. GOVERNMENT SECURITIES

	2004 c'm	2003 c'm
Government of Ghana Index-Linked Bonds	12,741	198,300
Bank of Ghana securities	865,950	409,556
	878,691	607,856

7. DUE FROM OTHER BANKS

	2004 c'm	2003 c'm
Nostro account balances	54,588	155,025
Items in course of collection	96,283	68,787
Placement with other banks	261,579	157,880
	412,450	381,692

8. INVESTMENT IN OTHER SECURITIES

	2004 c'm	2003 c'm
HFC bonds	2,279	2,221

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

9. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by type of product

	2004 €'m	2003 €'m
Overdrafts	324,951	343,736
Term loans	512,117	541,944
Export bills	9,465	5,688
Staff advances	35,018	23,857
	881,551	915,225
Less:		
Provision for bad and doubtful debts	(78,179)	(94,178)
Interest-in-suspense	(58,755)	(74,770)
	744,617	746,277

(b) Key ratios on loans and advances:

- i. The above constitutes loans and advances (including credit bills negotiated) to customers and staff.
- ii. Loan loss provision ratio is 15% (2003: 18%).
- iii. Gross non-performing loans ratio is 22% (2003: 27%).
- iv. Fifty (50) largest exposures (gross funded and non-funded) to total exposures is 66% (2003: 66%).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

9. LOANS AND ADVANCES TO CUSTOMERS continued

(c) Analysis by business segment:

	2004 €'m	2003 €'m
Agriculture, forestry and fishing	26,519	36,922
Mining and quarrying	4,140	3,904
Manufacturing	168,440	157,070
Construction	110,087	44,259
Electricity, gas and water	4,268	69,490
Commerce and finance	280,894	347,894
Transport, storage and communications	58,501	46,559
Services	120,497	48,918
Miscellaneous	108,205	160,209
	881,551	915,225
Less:		
Provision for bad and doubtful debts	(78,179)	(94,178)
Interest-in-suspense	(58,755)	(74,770)
	744,617	746,277

(d) Analysis by type of customer:

	2004 €'m	2003 €'m
Individuals	179,465	190,103
Private enterprises	578,189	556,780
Public enterprises	87,948	143,805
Government departments and state agencies	931	680
Staff	35,018	23,857
	881,551	915,225
Less:		
Provision for bad and doubtful debts	(78,179)	(94,178)
Interest-in-suspense	(58,755)	(74,770)
	744,617	746,277

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

9. LOANS AND ADVANCES TO CUSTOMERS continued

(e) Movement in the Bank's provision for impairment is as follows:

	2004 ¢'m	2003 ¢'m
Balance as of 1 January	94,178	77,078
Bad and doubtful debts expenses	22,019	55,647
Charge-offs/recoveries	(38,018)	(38,547)
	78,179	94,178

10. INVESTMENT IN SUBSIDIARY

	2004 ¢'m	2003 ¢'m
Shares	528	528

The valuation of shares in the subsidiary is at cost less specific provision.

The subsidiary is:

Name	Nature of Business	Country of Incorporation	Percentage of Shareholding
SSB Investments Company Limited	Investment Company	Ghana	100%

11. OTHER ASSETS

	2004 ¢'m	2003 ¢'m
Inventories	3,090	2,791
Accounts receivable and prepayments	14,322	18,151
Accrued income	5,640	756
	23,052	21,698



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

12. TAXATION

	Balance as of 1/1/04 €'M	Charge to profit and loss €'m	Payments/ Tax credits €'m	Balance as of 31/12/04 €'m
Income tax				
Up to 2003	(36,792)	4,617	-	(32,175)
2004	-	38,763	(31,230)	7,533
Dividend tax	-	-	-	-
Capital gains tax	-	-	-	-
	(36,792)	43,380	(31,230)	(24,642)
National Reconstruction Levy				
Up to 2003	(7,447)	1,974	-	(5,473)
2004	-	17,167	(14,443)	2,723
	(7,447)	19,141	(14,443)	(2,749)
	(44,239)	62,521	(45,673)	(27,391)

(i) Deferred Taxation

	2004 €'M	2003 €'m
Balance as of 1 January	5,573	14,531
Recoverable charge for the year (Note 13)	-	(8,958)
Balance as of 31 December	5,573	5,573

13. TAXATION CHARGE

	2004 €'m	2003 €'m
Income tax	43,380	23,819
Dividend tax	-	260
Capital gains tax	-	34
	43,380	24,113
Deferred tax (Note 12 (i))	-	(8,958)
	43,380	15,155

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004

14. PROPERTY, PLANT AND EQUIPMENT

Cost/Valuation	Land & Buildings €'m	Computers €'m	Furniture & Equipment €'m	Motor Vehicles €'m	Assets in Course of Construction €'m	Total €'m
Balance as of 1 January 2004	49,266	46,712	16,794	11,010	9,289	133,071
Additions during the year	2,474	11,961	4,368	4,334	23,402	46,539
Disposals during the year	-	-	(289)	(1,260)	-	(1,549)
Transfers/reclassification	14,151	-	-	-	(14,151)	-
Balance as of 31 December 2004	65,891	58,673	20,873	14,084	18,540	178,061
Depreciation						
Balance as of 1 January 2004	6,514	35,345	6,806	6,308	-	54,973
Charge for the year	3,908	9,428	3,634	3,414	-	20,384
Released on disposal	-	-	(262)	(1,260)	-	(1,522)
Balance as of 31 December 2004	10,422	44,773	10,178	8,462	-	73,835
Net book value:						
As of 31 December 2004	55,469	13,900	10,695	5,622	18,540	104,226
As of 31 December 2003	42,752	11,367	9,988	4,702	9,289	78,098

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

14. PROPERTY, PLANT AND EQUIPMENT continued

In December 1998, certain leasehold land and buildings were revalued using open market values by Owusu-Ajapong and Co, Chartered Surveyors. No revaluation was carried out during the current year.

The profit on disposal of property, plant and equipment arises as follows:

	2004 ¢'m	2003 ¢'m
Gross value	1,549	10,157
Accumulated depreciation	(1,522)	(9,492)
Net book value	27	665
Less: proceeds on disposal	727	959
Profit on disposal	700	294

15. CUSTOMER DEPOSITS

(a) Analysis by type of deposit

	2004 ¢'m	2003 ¢'m
Current accounts	1,085,719	892,818
Time deposits	135,693	73,750
Savings accounts	358,511	296,642
	1,579,923	1,263,210

(b) Analysis by type of customer

	2004 ¢'m	2003 ¢'m
Financial institutions	53,614	16,242
Individuals and other private enterprises	1,208,795	944,951
Government departments and agencies	103,255	101,095
Public enterprises	121,306	123,674
Staff	-	6,789
Others	92,953	70,459
	1,579,923	1,263,210

(c) 20 largest depositors to the total deposit ratio is 19% (2003: 25%).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

16. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2004 ¢'m	2003 ¢'m
Borrowings - Repurchase agreements	185,709	181,983
Borrowings - Credit Line	54,570	43,802
Export Development and Investment Fund (EDIF) loan	1,652	2,566
	241,931	228,351

Repurchase agreements

Borrowings under repurchase agreements, which are in local and foreign currencies, are made with various institutions. Interest on the local currency borrowings is payable at rates varying between 17% and 21% whilst that on the foreign currency borrowings is between 1% and 2%. The local currency borrowings are secured by the Bank's holdings of Government of Ghana Treasury Bills.

Credit line

The Credit Line is a non-revolving credit facility for a maximum amount of US\$10 million. Drawdown is in the form of tranches and each tranche carries a floating rate of interest as requested by the borrower.

Export Development and Investment Fund (EDIF)

The Export Development and Investment Fund was set up by the government to provide credit facilities to operators in the export sector through designated financial institutions. The loan balance represents customers who secured the facility through the Bank.

17. OTHER LIABILITIES

	2004 ¢'m	2003 ¢'m
Creditors	60,318	87,691
Other creditors and provisions	173,826	170,311
Accrued expenses	9,169	8,212
	243,313	266,214



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

18. STATED CAPITAL

Authorised	2004	2003
Number of ordinary shares of no par value	100,000,000	100,000,000

Issued and fully paid	2004		2003	
	Number	Value ¢'M	Number	Value ¢'m
Issued for cash	17,950,000	725	17,950,000	725
Capitalisation issue	50,010,000	5,275	50,010,000	5,275
	67,960,000	6,000	67,960,000	6,000
For consideration other than cash	3,290,000	735	3,290,000	735
	71,250,000	6,735	71,250,000	6,735

There are no shares in treasury (2003: nil). There are no calls or instalments unpaid on any share.

19. SHARE DEALS ACCOUNT

	2004	2003
	¢'m	¢'m
Balance as of 1 January	29,438	262
Proceeds from sale of treasury shares	-	29,176
Balance as of 31 December	29,438	29,438

The movement on the share deals account is the net result of sums received by the Bank on the sale of shares in compliance with Section 63 (2) of the Companies Code 1963, Act 179.

20. CAPITAL SURPLUS ACCOUNT

This represents the surplus arising on the revaluation of certain leasehold land and buildings. There was no change in the year.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

21. STATUTORY RESERVE FUND

The transfer to Statutory Reserve Fund represents 12.5% of the Bank's net profit after tax and before dividend. The transfer is in compliance with Section 29 of the Banking Act, 2004 (Act 673).

	2004 €'m	2003 €'m
Balance as of 1 January	67,597	56,606
Transferred from Income Surplus	13,269	10,991
	<hr/>	<hr/>
Balance as of 31 December	80,866	67,597

22. INTEREST INCOME

	2004 €'m	2003 €'m
Cash and short term funds	16,595	11,723
Investment securities	149,458	160,838
Loans and advances	151,094	145,990
	<hr/>	<hr/>
	317,147	318,551

23. INTEREST EXPENSE

	2004 €'m	2003 €'m
Savings accounts	7,309	7,164
Borrowings	43,620	56,036
Current accounts	20,487	23,079
	<hr/>	<hr/>
	71,416	86,279

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

24. OTHER OPERATING INCOME

	2004 ¢'m	2003 ¢'m
Foreign exchange gains	1,349	1,770
Dividends from investments	244	2,599
Bad debt recovered	11,103	10,208
Others	-	3,394
	12,696	17,971

25. OPERATING EXPENSES

	2004 ¢'m	2003 ¢'m
Staff costs (Note 26)	104,308	72,911
Directors emoluments	924	1,118
Donations	878	445
Depreciation	20,523	20,632
Advertising and marketing	6,828	5,016
Training	1,446	1,386
Auditors remuneration	550	528
Others	82,345	79,702
	217,802	181,738

26. STAFF COSTS

	2004 ¢'m	2003 ¢'m
Salaries, bonuses and staff allowances	69,199	50,972
Social security fund contribution	6,387	4,756
Provident fund	5,092	3,423
Other employee costs	23,630	13,760
	104,308	72,911

The average number of persons employed by the Bank during the year was 705 (2003: 630).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

27. CHARGE FOR BAD AND DOUBTFUL DEBTS

	2004 ¢'m	2003 ¢'m
Specific credit risk provision	3,130	46,198
General provision for impairment	18,889	9,449
	22,019	55,647

28. OTHER INCOME

	2004 ¢'m	2003 ¢'m
Profit on disposal of property, plant and equipment	700	294
Profit on sale of investment	15,580	-
Others	6,719	6,970
	22,999	7,264

29. EXCEPTIONAL ITEM

There was no exceptional item during the year. Amount in 2003 represents severance costs in respect of a re-organisation exercise carried out during that year.

30. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

	2004 ¢'M	2003 ¢'M	Net change ¢'m
Cash and balances with Bank of Ghana			
Due from other banks and financial Institutions	245,932	207,141	38,791
	412,450	381,692	30,758
	658,382	588,833	69,549

31. COMMITMENTS AND CONTINGENCIES

a. Commitments - Banking Business

The Bank enters into various commitments in the normal course of banking



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

business which are not reflected in the accompanying balance sheet.

Outstanding amounts at the end of the year were:

	2004 ¢'m	2003 ¢'m
Guarantees, indemnities and bonds	108,291	52,801

b. Contingent Liabilities

	2004 ¢'m	2003 ¢'m
Pending legal claims	-	9,024

All pending legal claims which are probable and could be reasonably estimated have been provided for in these financial statements

c. Commitments for Capital Expenditure

Commitments for capital expenditure at the year end were nil (2003: nil).

32. RELATED PARTY TRANSACTIONS

SG-SSB Limited is controlled by Société Générale (SG) incorporated in France which owns 51% of the ordinary shares.

A number of banking transactions were entered into with related parties in the normal course of business. These include loans and placements. These transactions were carried out on commercial terms and at market rates. The volumes of related party outstanding balances at the end of the year are as follows:

	2004 ¢'m	2003 ¢'m
Staff loans	35,018	23,857
Inter group placements as of 31 December	60,499	61,638
Intergroup nostro account balances as of 31 December	18,438	18,126

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

33. CONCENTRATION OF ASSETS, LIABILITIES AND OFF BALANCE SHEET ITEMS

Banks take on foreign currency exchange rates exposure on their financial position and cash flows. The table below summarises the Bank's exposure to foreign exchange rate risks at year-end. The amounts stated in the table are the Cedi equivalent of the foreign currencies.

	US\$ ¢'m	GBP ¢'m	Euro ¢'m	Others ¢'m	Total 2004 ¢'m	Total 2003 ¢'m
Assets						
Cash and balances with Bank of Ghana	13,900	3,380	4,787	8	22,075	26,035
Due from other banks and financial institutions	152,843	54,096	19,519	8,810	235,268	271,749
Other assets	13,034	-	7,333	-	20,367	7,781
Loans and advances to customers	247,189	-	48,720	-	295,909	170,539
Total Assets	426,966	57,476	80,359	8,818	573,619	476,104
Liabilities						
Due to customers	302,546	50,262	65,596	2,247	420,651	323,298
Other liabilities	10,742	652	1,510	2	12,906	12,411
Due to other banks and financial institutions	47,570	-	6,999	-	54,569	43,803
Total Liabilities	360,858	50,914	74,105	2,249	488,126	379,512
Net on balance sheet position	66,108	6,562	6,254	6,569	85,493	96,592
Credit Commitments						
Contingent Liabilities	65,507	4,796	55,302	38	125,643	165,891



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

34. MATURITIES OF ASSETS AND LIABILITIES

	Total ¢'m	Below 3 Months ¢'m	2004 3-6 months ¢'m	6-12 months ¢'m	Above 1 year ¢'m
Assets					
Cash and balances with Bank of Ghana	245,932	245,932	-	-	-
Government securities	878,691	332,969	222,195	99,144	224,383
Due from other banks And financial institutions	412,450	345,277	35,986	19,192	11,995
Investment in other securities	2,279	-	-	2,279	-
Loans and advances to customers	744,617	229,796	59,463	227,128	228,230
Investment in subsidiary	528	-	-	-	528
Other assets	23,052	3,173	737	19,142	-
Taxation	27,391	27,391	-	-	-
Property, plant and equipment	104,226	3,368	1,503	13,535	85,820
Total Assets	2,439,166	1,187,906	319,884	380,420	550,956
Liabilities					
Customer deposits	1,579,923	638,847	302,049	199,383	439,644
Due to banks and other financial institutions	241,931	142,101	22,190	32,711	44,929
Other liabilities	243,313	42,170	42,810	69,744	24,464
Deferred taxation	5,573	5,573	-	-	-
Total Liabilities	2,070,740	828,691	367,049	301,838	509,037
Net Liquidity Gap	368,426	359,215	(47,165)	78,582	41,919
Contingent liabilities	44,756	2,007	42,749	-	-

The table above summarises assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturing date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

34. MATURITIES OF ASSETS AND LIABILITIES continued

The matching and controlled mismatching of the maturity and interest rate of assets and liabilities are fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

35. NUMBER OF SHARES IN ISSUE

Dividend and net assets per share are based on 71,250,000 (2003: 71,250,000) ordinary shares. There are no shares in treasury (2003: nil). The total number of shares in issue at the balance sheet date was 71,250,000. (2003: 71,250,000). Earnings per share are based on an average number of shares in issue during the year of 71,250,000 (2003: 68,394,127).

36. ANALYSIS OF SHAREHOLDING

Category	Number of Shareholders	Number of Shares	Percentage Holding
1 - 1,000	28,892	3,785,976	5.31
1,001 - 5,000	1,132	2,271,095	3.19
5,001 - 10,000	83	592,848	0.83
Over 10,000	115	64,600,081	90.67
	30,222	71,250,000	100.00



37. 20 LARGEST SHAREHOLDERS

Shareholders	Number of Holdings	Percentage Holding
1. SG Financial Services Holding	36,337,500	51.00
2. Social Security and National Insurance Trust	15,397,559	21.61
3. Daniel Ofori	6,032,974	8.46
4. Sterling Financial Services	1,204,093	1.69
5. STB Bank Nom (TUL)(PTY) Limited	515,000	0.72
6. NTHC/Ghana Cocoa Coffee Sheanut	493,504	0.69
7. SAS/Amenuvor Gideon	428,242	0.60
8. DBGN Re Epack Investment Fund	400,624	0.56
9. Merban Investment Holdings Ltd.	313,928	0.44
10. Sam Esson Jonah	250,000	0.35
11. MBG Esspa Scheme	202,959	0.28
12. MIHL Nominee A/C 4	200,000	0.28
13. MIHL Nominee A/C 6	200,000	0.28
14. MIHL Nominee A/C 3	200,000	0.28
15. BBG Unilever Gh Managers Pension Fund	200,000	0.28
16. BBGN/SSG Eaton Vance	185,000	0.25
17. MSL Portfolio	157,825	0.22
18. MIHL Nominee A/C 12	150,000	0.21
19. Strategic African Securities	145,116	0.20
20. State Insurance Corporation	142,500	0.20
	63,156,824	88.60

The 20 largest shareholders held 88.60% of the Bank's shares as of 31 December 2004 (2003: 86.66%).

