



CIRCULAR TO SHAREHOLDERS

A RENOUNCEABLE RIGHTS ISSUE

Of

150,000,000 ordinary shares of no par value
at GH¢ 0.20 per share
in a ratio of 1 new share for every 1.1275 existing shares

This Document is dated: August 31, 2009

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Offering Circular (the “Circular”) has been sent to all CAL Bank Limited (“CAL Bank” or “the Bank”) shareholders on the register of members as at September 21, 2009.

If you have sold or otherwise transferred all your shares in CAL Bank, please send this Circular as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

No person is authorised to give any information or to make any representation not contained in this Circular and any information or representation not contained in this Circular must not be relied upon as having been authorised by CAL Bank, NewWorld Renaissance Securities Limited, IC Securities (Ghana) Limited, CAL Brokers Limited or any of CAL Bank’s Advisors. Neither the delivery of this Circular nor any sale hereunder shall under any circumstances create any impression that there has been no change in the affairs of the Bank since the date hereof or that the information contained herein is correct as of anytime subsequent to this date. Any material change, relevant to the Offer, in the affairs of the Bank during the Offer period will be communicated to the Securities and Exchange Commission (“SEC”) and the investing public.

An application has been made to the Ghana Stock Exchange (the “GSE”), for the listing of all the additional shares to be issued under this Offer on the First Official List of the GSE. The GSE has given approval for the listing of the said shares. The GSE assumes no responsibility for the correctness of any of the statements made, opinions expressed and reports presented in this Circular.

A copy of this Circular has been delivered to the Registrar of Companies, Ghana, for registration. The Registrar has not checked and will not check the accuracy of the statements made and accepts no responsibility therefore or for the financial soundness of the Company or the value of the securities concerned.

This Circular has been reviewed and approved by the SEC in accordance with Section 9 of the Securities Industry Law (P.N.D.C. Law 333), as amended. In its review, the SEC examined the contents of the Circular to ensure that adequate disclosures have been made.

The distribution of this Circular (electronically or otherwise) and the offering of the shares in certain other jurisdictions may be restricted by law. No action has been taken to register or qualify the shares or otherwise permit a public offering of the shares in any jurisdiction outside Ghana. Any failure to comply with these restrictions may violate applicable securities laws. The Bank requires persons into whose possession this Circular comes to inform them about, and observe any such restrictions and to seek their own advice on such restrictions. This Circular does not constitute an offer and may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

Before deciding whether to apply for shares, you should consider whether shares are a suitable investment for you. Their values can go down as well as up. Past performance is not necessarily indicative of future performance.

To ascertain the financial soundness or value of this Offer, CAL Bank shareholders and the investing public are advised to consult a dealer, investment advisor or other professional duly authorised under the Securities Industry Law, 1993 (PNDCL 333) for appropriate advice.

The contents of this document do not constitute and are not to be construed as legal, business or tax advice. Each CAL Bank shareholder and/or prospective investor should consult his/her own legal advisor, financial advisor or tax advisor for legal, financial and tax advice.

This Document has been seen and approved by the Directors of CAL Bank and we collectively and individually accept full responsibility for the accuracy of the information given and that after making all reasonable inquiries and to the best of our knowledge and belief there are no facts the omission of which would make any statement in the document referred to above misleading.

CAL BANK LIMITED

(Incorporated in Ghana as a limited liability company under the Companies Code, 1963 (Act 179) with 1,000,000,000 registered shares)

CIRCULAR TO SHAREHOLDERS

REGARDING

A RENOUNCEABLE RIGHTS ISSUE OF 150,000,000 NEW ORDINARY SHARES OF NO PAR VALUE AT GH¢ 0.20 PER SHARE

Sponsored by

**NEWWORLD RENAISSANCE SECURITIES LIMITED
IC SECURITIES (GHANA) LIMITED
CAL BROKERS LIMITED**

NewWorld Renaissance Securities Limited (NewWorld Renaissance), IC Securities (Ghana) Limited (IC Securities) and CAL Brokers Limited (together, the “Advisors”) are acting as advisors, managers and sponsoring brokers to CAL Bank for this renounceable rights issue. CAL Brokers Limited is a wholly-owned subsidiary of CAL Bank, whilst NewWorld Renaissance and IC Securities are independent of the Bank. NewWorld Renaissance Securities Limited and IC Securities (Ghana) Limited have relied on information provided by the Bank and its advisors and accordingly, NewWorld Renaissance and IC Securities do not provide any assurance of the accuracy of the information contained in this Circular. NewWorld Renaissance and IC Securities do however confirm that to the best of their knowledge, this Circular constitutes a full and fair disclosure of all material facts about the Bank and the Offer.

Reindorf Chambers (RC) has acted as legal advisors to CAL Bank on this renounceable rights issue having relied on information provided by the Bank. Accordingly, RC does not provide any assurance of the accuracy of the information contained in this Circular. RC does however confirm that to the best of its knowledge, this Circular constitutes a full and fair disclosure of all material facts about the Bank and the Offer.

Dated: August 31, 2009

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KEY MILESTONES AND TIME TABLE

Activity	Date	Time
Ex-Rights Date	Wednesday Sep 16, 2009	1.00pm
Qualifying Date	Monday Sep 21, 2009	1.00pm
Books Closure Date	Monday Sep 21, 2009	3.00pm
Commencement of Offer	Monday Sep 28, 2009	9.00am
Commencement of Trading in the Rights	Monday Sep 28, 2009	10.00am
Closure of the Trading in the Rights	Tuesday Oct 20, 2009	1.00pm
Deadline for Acceptance of Application Forms	Friday Oct 23, 2009	5.00pm
End of Offer	Friday Oct 23, 2009	5.00pm
Allotment Begins	Monday Nov 2, 2009	9.00am
Allotment Ends	Friday Nov 6, 2009	5.00pm
Results of the Offer Submitted to SEC by	Wednesday Nov 11, 2009	5.00pm
Letters of Entitlement where applicable	Wednesday Nov 18, 2009	5.00pm
Crediting of Shares onto the GSD	Wednesday Nov 18, 2009	5.00pm
Commencement of Trading in the Shares by	Friday Nov 20, 2009	10.00am

All dates provided are subject to change by the Advisors in consultation with the Directors of CAL Bank (subject to obtaining the necessary regulatory approvals). All times provided are in Greenwich Mean Time, the time zone of the Republic of Ghana. Any amendment will be published in a national daily newspaper not later than 72 hours after receipt of regulatory approval.

CORPORATE INFORMATION ON CAL BANK LTD

Directors:	Mr. Robert Ahomka-Lindsay - Chairman Mr. Frank Adu Jnr. (MD) Mr. James Brenner Mrs. Leonora Kyeremanten Mr. Malcolm Pryor Dr. Kobina Quansah Mr. Kwasi Tumi Mr. Paarock VanPercy
Registered Office:	23, Independence Avenue P.O. Box 14956 Accra Ghana
Auditors:	KPMG Chartered Accountants 13 Yiyiwa Drive Abelenkpe P.O. Box 242 Accra Ghana
Company Secretary:	Dehands Services Limited 4 Liberation Road P.O. Box GP 453 Accra Ghana
Registrar:	NTHC Limited Martco House P. O. Box 9563 Airport, Accra Ghana

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Receiving Agent(s):

NewWorld Renaissance Securities Limited
IC Securities (Ghana) Limited
CAL Brokers Limited
CAL Bank Limited
Selected GCB Branches
(See pages **71 to 73** for full contact details)

DEFINITIONS

The following definitions apply in this document, unless the context requires otherwise:

“Advisors”	NewWorld Renaissance Securities Limited, IC Securities (Ghana) Limited and CAL Brokers Limited
“ATM”	Automated Teller Machine
“BoG”	The Bank of Ghana, or Ghana’s central bank and the apex regulator of the banking industry in Ghana.
“CAL Bank” or “the Bank”	CAL Bank Limited
“CAL Bank Board” or “CAL Bank Directors” or “Directors”	The Directors of CAL Bank
“CAL Bank Branches”	All the branches of CAL Bank, which will be acting as receiving agents under this Offer
“CAL Bank Shares”	CAL Bank’s ordinary shares
“CBL ” or “CAL Brokers”	CAL Brokers Limited , who are acting as co-financial advisors and co-sponsoring brokers as well as co-managers of this Offer
“Circular” or “Document”	This Offering Circular dated 31 August, 2009
“Companies Code”	The Ghana Companies Act1963 (Act 179) as amended
“Financial Advisors” or “Sponsoring Brokers” or “Lead Managers”	NewWorld Renaissance Securities Limited, IC Securities (Ghana) Limited and CAL Brokers Limited
“GDP”	Gross Domestic Product
“Ghana”	The Republic of Ghana
“GSD”	The GSE Securities Depository
“GSE” or “the Exchange”	The Ghana Stock Exchange
“IC Securities”	IC Securities (Ghana) Limited, who are acting as co-lead financial advisors and co-lead sponsoring brokers to CAL Bank, as well as co-lead managers of this Offer
“IFRS”	International Financial Reporting Standards

“New Shares”	The 150 million new ordinary shares of CAL Bank to be issued pursuant to the Rights Issue in accordance with the terms of the Offer
“NewWorld Renaissance”	NewWorld Renaissance Securities Limited, who are acting as lead financial advisors and lead sponsoring brokers to CAL BANK.
“the Offer” or “ the Rights Issue”	The offer of 150 million new shares of CAL Bank at a price of GH¢0.20 to the existing shareholders in a ratio of 1 new ordinary share for every 1.1275 ordinary shares held as at the qualifying date
“P/E Ratio”	Price/Earnings ratio
“Qualifying Date”	The date, September 21, 2009 on which persons whose names appear on the register of CAL Bank members qualify for this Offer
“Qualifying CAL Bank Shareholder”	CAL Bank shareholders on the register of shareholders as at the qualifying date, and who have no legal restrictions to partaking in this Offer
“Qualifying Applicant”	Any natural person who is 18 years or over, or a corporation, partnership or other unincorporated associations who are resident/incorporated in Ghana or some other state, or country (and including a qualifying CAL Bank shareholder) provided that the offer to and acceptance by such an applicant of this Offer is not in contravention of the laws of either that state or country
“Receiving Agent” or “Receiving Agents”	CAL Bank, NewWorld Renaissance, IC Securities, CBL, selected GCB Branches or any other company appointed by CAL Bank who will be receiving applications and payments from qualifying applicants under this Offer. Full contact details of the receiving agents can be found on pages 71 to 73 of this Document.
“Renouncee”	A qualifying applicant, in whose favour a qualifying CAL Bank shareholder has renounced his/her rights.
“Renouncer”	A qualifying CAL Bank shareholder who has renounced some or all of his/her rights in favour of another person(s).
“Rights”	The legal and financial right of qualifying CAL Bank shareholders to partake in this Offer, which right may be traded to other persons for value, in which case the right is traded on the GSE, or which right could be renounced in favour of another person(s).
“RoA”	Return on Assets
“RoE”	Return on Equity
“SEC”	Securities and Exchange Commission

LEGAL ADVISORS' COMPLIANCE CERTIFICATE

17 July 2009

The Director-General
Securities and Exchange Commission
30, 3rd Circular Road
Cantonments, Accra

The Managing Director
Ghana Stock Exchange
5th Floor, Cedi House
Accra

Dear Sirs,

Cal Bank Limited Rights Issue

1. Introduction

1.1 Basis of Instruction

We have acted as legal advisors to CAL Bank Limited ("CAL Bank") in connection with CAL Bank's Rights Issue.

1.2 Documents Seen

In writing this opinion we have referred to and examined the following documents:

- Regulations of CAL Bank as amended;
- Certificate of incorporation of CAL Bank;
- Certificate to commence business of CAL Bank;
- CAL Bank's banking license dated 31 January 2005;
- Register of Directors;
- Register of Directors interests;
- Register of Secretaries;
- Resolution authorising the Rights Issue passed by CAL Bank's shareholders at an annual general meeting of 26 March 2009;

- Resolution of the Board of Directors of CAL Bank Limited dated 16 July 2009;
- An offer circular dated as of 31st May 2009 in connection with the Rights Issue ("the Offer Circular").

We have also examined such other documents and conducted such searches as are necessary under the laws of Ghana to enable us give this opinion.

1.3 Scope and Purpose of the Opinion

This opinion is limited to matters of the laws of the Republic of Ghana as in force and applied at the date of this opinion. We have not investigated the laws of any country other than those of Ghana and we express no opinion on the laws of any other jurisdiction. This opinion is given on the basis of the assumptions set out in the Schedule.

2. Opinion

We are of the opinion that:

2.1 Incorporation

CAL Bank is a limited liability company duly incorporated under the Companies Act, 1963 (Act 179) as amended.

2.2 Authorisation to do business as a bank

CAL Bank is duly licensed as a universal bank by the Bank of Ghana and has complied with all regulatory requirements necessary or advisable for the conduct of its business.

2.3 Corporate authorisations

CAL Bank has obtained all the corporate authorisations necessary or advisable in connection with the Rights Issue and GSE listing.

2.4 Approvals and consents

CAL Bank has obtained all the necessary regulatory and statutory approvals and consents that are necessary or advisable in connection with the Rights Issue.

2.5 Circular to shareholders

The Offer Circular substantially complies with the requirements of the Fifth Schedule of the Securities and Exchange Regulations, 2003 (LI 1728), the Seventh Schedule of the Companies Act, 1963 (Act 179) (as amended) and the Listing Regulations of the Ghana Stock Exchange (L.I. 1509 as amended).

2.6 Material contracts

The material contracts of CAL Bank furnished to and examined by us were in proper form and enforceable under Ghana law.

2.7 The Regulations

2.7.1 CAL Bank's Regulations comply with all legal requirements on the contents of the Regulations of a public company.

2.7.2 The proposed Rights Issue does not contravene any provision of CAL Bank's Regulations.

2.8 Contractual obligations

To the best of our knowledge there are no provisions in the contractual agreements that we have seen and reviewed, preventing CAL Bank from undertaking the Rights Issue.

2.9 Registrations and filings

All the statutory or regulatory registration or filing requirements necessary or advisable in relation to or in connection with the Rights Issue have been complied with.

SCHEDULE OF ASSUMPTIONS

We have relied on information and documents obtained from CAL Bank and in giving this opinion, we have assumed, and this opinion is given on the basis that:

1. All original documents supplied to us are complete, authentic and up to date, and that all copy documents supplied are complete and conform to the originals;
2. The person or persons who signed the documents were authorised to do so and that all signatures appearing on documents submitted to us as originals or copies of originals are genuine;
3. The authorising resolution was duly passed at a properly convened meeting of CAL Bank's shareholders and a duly qualified quorum of such shareholders voted in favour of approving the resolutions.

Yours truly,


Reindorf Chambers

SUMMARY OF CAL BANK LIMITED

This summary highlights information in this Renounceable Rights Offering Circular. This Summary may not contain all of the information that investors should consider before deciding to invest in the Offer Shares. Investors should read this entire Offering Circular carefully including the “Risk Factors” and the Bank’s financial statements.

CAL BANK LIMITED

CAL Bank Limited provides a broad range of banking and financial products and services to large corporations, small and medium-sized enterprises, public sector institutions and retail customers through a network of 13 branches across Ghana. These products and services include business loans, payment and account services, deposits, trade finance, consumer banking services, leases, mortgages and investment banking. In November 2004 CAL Bank was officially listed on the Ghana Stock Exchange (“GSE”), after a successful IPO which raised GH¢5.4 million, the purpose of which was to finance the Bank’s retail banking operations and to support its overall growth.

The Bank has grown significantly since it went public in November 2004. It now has a network of 40 ATM’s and its branches have increased to 13 (versus 3 at the time of the initial public offering (IPO)). As at December 31st 2008 its assets had tripled to GH¢ 338.9 million and its workforce had grown to 319 employees against GH¢ 82.6 million total assets and 160 employees at the time of the IPO. Investors have also been well rewarded for their investment in CAL Bank. Dividends of GH¢ 6.9 million for the period have been distributed. For the year ended December 31, 2008, CAL Bank reported a profit after tax of GH¢ 9.1 million and a return on average equity of 27.07%. The Bank plans to continue growing its franchise by implementing the following key strategies:

- ✓ *The use of superior technology to deliver unrivalled quality services to its clients;*
- ✓ *Amplification in the use of alternative delivery systems through the increase of branches and mini branches, the expansion of mobile banking platform and ATM network to increase the Bank’s footprint across the market;*
- ✓ *Development of human capital capabilities through recruitment, training and development and aligning them with growth in key strategic areas of the Bank; and*
- ✓ *Profitable acquisitions to accelerate the Bank’s network growth and facilitate entry into new customer segments.*

PART 1 – THE RIGHTS ISSUE

1.1 Legal Basis for the Rights Issue

The shareholders of CAL Bank, at an Annual General Meeting (AGM) held on 26th March, 2009, passed a resolution authorising the Directors to raise new capital through a renounceable Rights Issue in accordance with the Companies Code 1963 (Act 179) as amended, the Ghana Stock Exchange's (GSE's) Rules and the Regulations of CAL Bank. The following resolution was passed:

To increase the issued stated share capital of the Company by up to 100 million Ghana Cedis (GH¢100,000,000.00) in various tranches. In that regard the shareholders pass the following resolutions:

- i. The Company is hereby authorised to increase the issued stated capital of the Company by up to one hundred million Ghana cedis (GH¢ 100 million) in one or more tranches by the offer of such number of ordinary shares as may be required to increase the issued stated capital by up to one hundred million Ghana cedis (GH¢ 100 million). The offer or offers shall be to the Company's members on its register of members as at the close of day on a date or dates, as the case may be, to be determined by the Directors. Shares shall be offered to the members in proportion, as nearly as the circumstances admit, to the number of shares that they are entitled to payable in full. The Directors are hereby authorised to determine share prices for the issue or issues, as the case may be, taking into account market conditions. The Directors are hereby authorised to issue renounceable provisional letters of allotment in accordance with the Rules of the Ghana Stock Exchange.*
- ii. The Directors are hereby authorised in each case, subject to the Rules of the Ghana Stock Exchange, to determine the modalities, duration of the offer and allotment of shares.*
- iii. The Directors are further authorised, subject to the Rules of the Ghana Stock Exchange and all other applicable laws, to allot, issue and/or deal with all such shares as are not subscribed to by existing shareholders or provisional allottees in any issue made in accordance with resolution (i) above and to make and/or grant offers, agreements and/or options in respect of such shares and to determine the terms, timing and pricing of such offer, agreement, option, allotment or issue*

The shareholders of the Bank, at the AGM of 26th March 2009, also gave the directors the mandate to transfer GH¢ 10,559,000 from income surplus to stated capital.

Furthermore, the shareholders of the Bank, at the AGM resolved to amend the Regulations of the Bank to, among other things, permit the issue of shares in uncertificated and dematerialised form, subject to the approval of the Directors. The Directors have subsequently passed a resolution permitting the Bank to issue shares in uncertificated and dematerialised form. The Bank is thus in a position to issue the new shares in uncertificated form in line with the Ghana Stock Exchange's reforms.

1.2 Reasons for the Rights Issue

The Bank of Ghana in 2008 issued a notice requiring Ghanaian-owned banks to achieve a minimum stated capital of GH¢ 25,000,000 by the end of 2010 and GH¢ 60,000,000 by the end of 2012, and for foreign-owned banks to have a minimum stated capital of GH¢ 60,000,000 by the end of 2009. CAL Bank's Board and Management recognise the need to strengthen the Bank's capital base in order to position it to capitalise on the strong growth within the Industry and to effectively compete against the better capitalised foreign-owned banks. In this regard, the shareholders have authorised the Bank to increase its stated capital by up to GH¢ 100,000,000 as specified in section 1.1 of this document.

The Bank's management understands that increased competition and a renewed focus on customer preferences are among the main factors that will shape the industry in the future. Furthermore, the Bank recognises that its ability to successfully compete will be bolstered if capital is deployed strategically with the aim of exploiting current and anticipated opportunities in the retail and industrial sectors. Thus, the Bank's Board and Management have outlined a number of key objectives to which the capital raised shall be applied, including:

- **Working Capital:** Proceeds from the Rights issue will be used to support the Bank's credit business as its pipeline of potential loans far exceeds its current lending capacity.
- **New Branches:** The Bank plans to increase its total branch network up to 25 branches by 2010.
- **Systems Upgrade:** The Bank intends to upgrade its core banking application software and to improve its information technology infrastructure to improve upon operational efficiencies.
- **Delivery Channel:** The Bank plans to use a portion of the capital raised to acquire new ATM's, procure a significant number of EZWICH Point of Sale Terminals and for the Bank's mobile banking business.

The planned corporate strategy envisages investment of circa GH¢ 89.8 million over the next 2 years in the four key areas identified above. To this end the Board of CAL Bank has authorised the Bank to proceed with this current Rights Issue based on an assessment of the mood of Ghana's capital market, investor appetite and the business opportunities available to CAL Bank. Should demand exceed shares available for sale under this Offer, the Bank will accept additional applications such that the gross funds raised under this Offer do not exceed GH¢ 91 million. The excess funds raised over and above the GH¢ 30 million will be channel towards the Bank's working capital.

1.3 Use of Funds

Should the Bank raise all or a part of the GH¢30 million on offer, the funds raised will be used as follows:

Uses of Funds	Estimated Cost (GH¢, millions)
Working capital (new banking business)	22.9
New branches	3.5
Systems upgrade	1.5
Delivery channels	1.0
Rights Issue Expenses	1.1
Total Offer Proceed	30.00

1.4 Key Terms of the Offer

a) *Number of Shares and Price*

The Offer comprises a Renounceable Rights Issue of 150 million new ordinary shares at GH¢ 0.20 per share to qualifying shareholders in a ratio of 1 new share for every 1.1275 existing ordinary shares held. The shares to be issued under this Offer will rank pari-passu with the ordinary shares of CAL Bank already in issue and listed on the GSE.

b) Fractional Shares

The ratio in which the rights to ordinary shares are allocated to qualifying shareholders may result in fractional entitlements. Fractional entitlements of 0.5 shares and above will be rounded up to one new share, whilst those below 0.5 shares will not be allotted to qualifying shareholders but will be consolidated and allotted by the Directors to qualifying applicants as they deem fit.

c) Pricing of the Shares

The Offer is priced at GH¢ 0.20 per share, representing a 20.0% discount to the closing market price of CAL Bank of GH¢ 0.25 on August 31, 2009, the last practicable date before the printing of this document. If all the shares on offer are fully subscribed, CAL Bank would raise a total of GH¢30 million.

d) Minimum Amount to Raise Under Offer

The minimum amount to be raised for the Offer to be declared successful is GH¢6.0 million. Where only the minimum amount is raised, the funds would be used for covering the applicable costs of the offer and for working capital purposes.

e) Oversubscription

Should applications be received for shares whose value is in excess of the GH¢ 30 million, the Bank will issue up to an additional 305,000,000 number of ordinary shares for up to GH¢61,000,000 to meet the demand. The total amount raised in the Offer may therefore amount to GH¢ 91,000,000 and the total number of shares to be issued up to 455,000,000 ordinary shares. Any amounts so raised will be added to the Bank's working capital as there are existing and potential pipeline transactions that can absorb these excess funds

f) Dealings

The GSE has granted approval to list up to 455,000,000 ordinary shares to be issued pursuant to this Rights Issue on the First Official List, alongside the existing 169,256,540 ordinary CAL Bank shares already listed as at 30th April, 2009. It is expected that dealings in the new ordinary shares will start alongside the existing shares by November 20, 2009.

g) Qualifying Date and Distribution of this Circular

The shares on offer under this Rights Issue will be offered to the shareholders of CAL Bank whose names appear in the register of members as at September 21, 2009. The Registrars of the Bank have sent a copy of this Circular containing the allotment details and Application Forms through the post to shareholders on record on the qualifying date. Shareholders who do not receive copies of the Circular by September 28, 2009 may contact the offices of the Registrars, Sponsoring Broker or the receiving agents for a copy of the Circular (subject to availability of extra copies of the Circular)

h) Form of the New Shares

The new shares will, when issued, be capable of being held in uncertificated form. Shareholders who do not hold a GSE securities depository account will be issued letters of allotment upon issue. Shareholders should use these letters of allotment to open GSE securities depository accounts with their stockbrokers. Those shareholders with GSE securities depository accounts will have their account credited with the number of shares issued to them.

Share certificates will not be issued under this Offer. A Help Desk has been established at IC Securities (Ghana) Limited and CAL Brokers Limited to address all enquiries concerning the issue of uncertificated securities and all other matters regarding the Offer.

i) Trading in the Rights

The Rights to this Offer (Rights) may only be traded on the GSE from September 28th to October 20th, 2009. Shareholders who desire to sell all or some of their rights on the GSE should contact their Brokers, or the Sponsoring Brokers at the addresses below:

- NewWorld Renaissance Securities Limited, 2nd Floor Heritage Tower, Ambassadorial Enclave, Ridge, Accra Tel: +233 21 660163/676979/676980 Fax: +233 21 670518
- IC Securities (Ghana) Limited, 2, 2nd Ridge Link, North Ridge, Accra Tel: +233 21 252621 Fax: +233 21 252517
- CAL Brokers Limited, 23, Independence Avenue, Tel: +233 21 680051 Fax: +233 21 680081

1.5 Application

All applications for shares under this Offer must be in whole numbers and no purported application for fractions of a share will be accepted.

Shareholders and Renouncees

Shareholders wishing to take-up some or all of their rights must complete the appropriate sections of the accompanying Application Form in order to exercise their rights. Shareholders are allowed to apply for shares in excess of their rights (extra shares). This can be done under Section A of the Application Form.

Shareholders are allowed to renounce in part or in full their rights in favour of a third party at their own option by completing Sections A and B of the Application Form. Renouncees should complete Section C of the Application Form and submit it together with Sections A and B completed by the Renouncer to the receiving agents.

Should a shareholder desire to renounce his rights in favour of more than one person, he or she should list the names of the persons, stating the number of shares renounced in favour of each Renouncee in Section B of the Application Form. Each Renouncee must then complete a copy of Section C of the Application Form and submit same, together with payment for the shares applied for, to the receiving agents.

Non-shareholders

Non-shareholders may also apply for CAL Bank shares under this Offer and may do so by completing Section D of the Application Form. The Directors of CAL Bank may allot any shares not taken up by shareholders under this Offer as they deem fit, and the Directors may allot such shares to qualifying investors.

1.6 Escrow Account

All application monies collected will be deposited into Escrow Account numbers 0020760171019, 0020760171027, 0020760171035, 0020760171043, 0020760171051 at HFC Bank (Ghana) Limited, Ebankese Branch. A copy of the Escrow Account Agreement has been lodged with the Securities and Exchange Commission.

1.7 Allotment

The allotment of shares to applicants will be:

- a. first to satisfy all duly completed applications from qualifying shareholders and their renouncees as pertains to qualifying shareholders' rights in the Offer; then to
- b. satisfy all duly completed applications from qualifying shareholders and renouncees for extra shares and duly completed applications from non-shareholders for shares, pro-rating where necessary.

To the extent that applications for extra shares received are more than the available number of shares under the offer, the Directors of the company in consultation with its Advisors, and subject to clearance from the relevant regulatory authorities, shall determine an appropriate allotment strategy.

1.8 Refund

If any application is not accepted or is accepted for a smaller number of shares than applied for, the balance of the amount paid on application will be returned to receiving agents not later than November 18, 2009 for onward distribution to applicants. CAL Bank will announce such refunds through a national daily newspaper with wide circulation within 72 hours of the making of such refunds.

If CAL Bank does not make refunds of extra application monies to the receiving agents by November 18, 2009 then CAL Bank will pay to investors, interest (calculated on a per annum basis) on the unpaid amounts from November 19, 2009 at the prevailing Bank of Ghana prime rate for each day of default until the refund is made to receiving agents.

1.9 Payment

For applicants resident in Ghana, payment may be made by cash, cheque, postal or money order, which should be presented at the offices of NewWorld Renaissance Securities Limited, IC Securities (Ghana) Limited, CAL Brokers Limited or any CAL Bank Branch and selected GCB Branches where the Application Form is lodged. All cheques, postal or money orders should be crossed CAL Bank Rights Issue and endorsed Commission to Drawer's Account. This endorsement must be signed by the drawer. Bank commissions and transfer charges on application monies must be paid by the applicant. Applications, in respect of which cheques are returned unpaid, for any reason whatsoever, or for which funds do not clear for the full amount payable on the application by 5 pm on October 23, 2009, may be treated as invalid.

Qualifying applicants not resident in Ghana must purchase shares under this Offer in foreign currency and for this purpose, CAL Bank allows payment for shares in the United States Dollars (US\$), Great British Pounds (GB£) or Euros (€). The price of a CAL Bank share under this Offer is US\$ 0.14 for payment in United States Dollars, GB£ 0.08 for payment in Great British Pounds and € 0.10 for payment in Euros. Funds should be remitted for the benefit of CAL Bank Rights Issue by bank transfer to:

Currency	Account No.	Bank Name and Address	Swift Code
In US\$	0001714502	Ghana International Bank Plc 67 Cheapside London, EC2V 6AZ United Kingdom	GHIBGB2L
In GB£	0001714501		
In €	0001714503		

OR TO

Currency	Account No.	Bank Name and Address	Swift Code
In US\$	35209949	CITIBANK N.A. 111 Wall Street New York, NY 10043 U.S.A.	CITIUS33

Any application from a person not resident in Ghana, which is not received in a form which will realise cleared funds for the full amount payable on the application by 5 pm on October 23, 2009, may be treated as invalid. Bank commissions and transfer charges on application monies must be paid by the applicant. Applications, in respect of which cheques are returned unpaid, for any reason whatsoever, will be rejected.

1.10 Lodgement of Completed Application Forms

All qualifying applicants resident in Ghana must deliver or lodge their duly completed Application Forms at the offices of any of the named receiving agents, whose details are provided on pages 71 to 73 of this document by 5 pm on October 23, 2009.

Applicants who choose to mail their Application Forms to the receiving agents are advised to use registered mail services. However, all documents mailed to the receiving agents by applicants will be at the applicant's own risk, and CAL Bank may treat applications not received by 5 pm on October 23, 2009 as invalid.

Applicants are to note that Application Forms must be lodged at the same receiving agent office where payment is made for the shares applied for. The receiving agent will acknowledge receipt of application forms and funds from applicants.

1.11 Cost of the Offering

The total cost of the offering is not anticipated to exceed 5.00% of the amount raised. CAL Bank will pay all fees out of the proceeds of the Issue. Below are the summarised details of the cost of the offering:

Expense Item	Amount in GH¢	% of GH¢30 million Offer
Professional and Advisory Fees (Financial Advisory, Legal & Accounting due diligence, financial, management and media advisory, etc)	325,648	1.09%
Success Fees	375,000	1.25%
Regulatory Fees (GSE, SEC and Registrar General)	188,593	0.63%
Direct Publicity, Administration, Taxes and Logistics (General meetings, Media Publicity, Marketing, Printing, Logistics, VAT, etc)	210,759	0.70%
	1,100,000	3.67%

1.12 Offer Statistics

Key details of the Offer are:

Authorised Shares	1,000,000,000
Issued Shares	169,256,540
Price per Share (GH¢)	0.20
Ordinary Shares on Offer Under Rights Issue	150,000,000
<i>Maximum Number of Additional Shares to be Issued on Oversubscription</i>	<i>305,000,000</i>
Expected Outstanding Shares After Offer	319,256,540
<i>Maximum Outstanding Shares after Offer on Oversubscription</i>	<i>624,256,540</i>
Expected Proceeds from the Offer (GH¢)	30,000,000
<i>Maximum Expected Proceeds from Offer on Oversubscription (GH¢)</i>	<i>91,000,000</i>

1.13 Offer Timetable

Activity	Date	Time
Ex-Rights Date	Wednesday Sep 16, 2009	1.00pm
Qualifying Date	Friday Sep 21, 2009	1.00pm
Books Closure Date	Friday Sep 21, 2009	3.00pm
Commencement of Offer	Monday Sep 28, 2009	9.00am
Commencement of Trading in the Rights	Monday Sep 28, 2009	10.00am
Closure of the Trading in the Rights	Tuesday Oct 20, 2009	1.00pm
Deadline for Acceptance of Application Forms	Friday Oct 23, 2009	5.00pm
End of Offer	Friday Oct 23, 2009	5.00pm
Allotment Begins	Monday Nov 2, 2009	9.00am
Allotment Ends	Friday Nov 6, 2009	5.00pm
Results of the Offer Submitted to SEC by	Wednesday Nov 11, 2009	5.00pm
Letters of Entitlement where applicable	Wednesday Nov 18, 2009	5.00pm
Crediting of Shares onto the GSD	Wednesday Nov 18, 2009	5.00pm
Commencement of Trading in the Shares by	Friday Nov 20, 2009	10.00am

All dates provided are subject to change by the Advisors in consultation with the Directors of CAL Bank (subject to obtaining the necessary regulatory approvals). All times provided are in Greenwich Mean Time, the time zone of the Republic of Ghana. Any amendment will be published in a national daily newspaper not later than 72 hours after receipt of regulatory approval.

Part 2 - THE GHANAIAN BANKING INDUSTRY

2.1 Economic Background

Sustained Growth in a Challenging Macroeconomic Environment:

Ghana's economy has been on a sustained growth path with increasing domestic demand and private sector activity. GDP growth rate which was about 4.2% at the turn of the century increased to about 7.3% in 2008¹, beating earlier expectations of a 6.2% growth rate. This growth was achieved despite external pressures such as rising food and energy prices along with a depreciating currency. A strong macro-economic environment over the last six years made the economy robust against these external forces. The cedi experienced a free fall in 2008, depreciating about 30% for the year as a slowdown in export revenue against rising import cost eroded Ghana's foreign exchange reserves. Inflation after three consecutive years of decline rose to 18.1% at year end 2008 from 10.2% in December 2007. Inflation as at March 2009 hovered around 20.5% but shows signs of slowing. Food inflation, which has been a major driver of headline inflation, fell from 19.4% in January to 18.5% in March 2009; however, non-food inflation rose due to a pass-on of exchange rate depreciation to domestic prices.²

The Bank of Ghana's goal of inflation targeting, coupled with an anticipated increase in food supplies during the rainy season are expected to slow inflation further during the year. But the cedi's depreciation against other major currencies will continue to hamper the balance of payments position of the country, along with declining commodity prices as a result of a fall in global demand.

Despite the current developments in the economy, the long-term growth outlook for the Ghanaian economy remains positive. The economy is expected to be transformed as a result of the discovery of oil in commercial quantities in Cape Three Points in the Central Region. About USD 3.1billion³ is needed for investments in the Jubilee Oil Field until 2010 when Ghana's first oil exports will come on-stream. These investments are expected to push the economy into a higher growth trajectory with bright prospects for all the major sectors of the economy.

Both fiscal discipline and tight monetary policies have played critical roles in achieving stability; increasing reform in the financial sector has brought about a very vibrant banking sector. As a result, the efficiency of the banking sector has improved significantly and is poised for further growth with the implementation of the reform measures being pursued by the Bank of Ghana. The reform is intended to rationalize the payment systems, enhance credit reporting, ensure efficiency in foreign exchange transactions, and enhance capitalization of all deposit-taking institutions in the country. The overriding objective of the ambitious BoG reform measures, with support from the Ministry of Finance and Economic Planning, is to make Ghana the financial service centre for the West African sub-region.

Increased International Interest and Foreign Participation in the Economy

An attractive investment code and stable political environment have attracted international attention to Ghana. As a testament to Ghana's growing success and investors' interest in Ghana's economy, Ghana's first USD \$750 million international bond was oversubscribed by over 3 times. Exhibit I provides statistics on Ghana's Population, GDP, Growth rate, inflation, and exchange rate against the US dollar.

¹ Ministry of Finance

² Bank of Ghana Monetary Policy Committee Press Release May 2009

³ Bloomberg, 27th August, 2008.

Exhibit I: Ghana's Macroeconomic Performance:

	Dec-08	Dec-07	Dec-06	Dec-05	Dec-04	Dec-03
Population (Million)	24.0	23.5	23.0	22.5	22.1	21.6
Population Growth Rate (%)	2.0	2.0	2.1	2.1	2.3	2.3
Nominal GDP (US\$ Mil)	16,295.8	14,829.9	12,906.0	10,720.4	8,871.9	7,624.2
Real GDP Growth Rate	7.3	6.3	6.2	5.9	5.6	5.2
Inflation (y-o-y)	18.1	10.2	10.5	14.8	11.8	23.6
Inflation (Annual average)	16.5	10.7	10.9	15.2	12.6	26.7
GH¢/US\$	1.2	0.9	0.9	0.9	0.9	0.9

Sources: Bank of Ghana, Ministry of Finance and Economic Planning

2.2 Performance of the Banking Sector

The banking sector has been one of the fastest growing sectors in Ghana in the last five years, with the balance sheet of the industry expanding by 37.2% to GH¢ 10.69 billion, as at 31st December 2008. The growth in the industry's balance sheet was as a result of a surge in total assets driven by credit expansion. Total assets, has more than doubled between 2003 and 2008, growing by about 50% per annum between 2003 and 2007. This compares to an annual real GDP growth rate above 6% in the same period. Banking sector assets as a ratio of GDP has been increasing steadily from 33.2% in 2000 to 65.6% in 2008. Though credit to the private sector as a percentage of Gross Domestic Product has also increased over the period, from 19% to 37%, this ratio remains very low when compared to other emerging markets where credit plus GDP is usually over 100%

Banking Industry Selected Indicators

	Dec-08	Dec-07	Dec-06	Dec-00
Number of Banks	26	25	24	n.a
Number of Branches	668	596	391	n.a
Market Share (Top Five Banks)	51.9	55.6	57.4	65.6
Asset to GDP (%)	65.6	55.8	45.1	43.6
Total Credit to GDP (%)	36.6	29.7	21.9	19
Deposits to GDP (%)	42.6	35.2	29.9	26.9

Sources: Financial Stability Report, Bank of Ghana, December 2008; Ghana Association of Bankers

Growth in the Ghanaian Banking Sector has largely been driven by several factors including rapid economic growth, central bank autonomy, and market liberalization. These have resulted in new market entrants both locally and from other countries which have in turn resulted in a marked increase in the number of banks in Ghana. There are currently 27 banks in Ghana, up from 17 seven years ago. Exhibit II shows key statistics in the banking sector over the last three years compared to the year 2000.

Banks operating in Ghana as of December 2008

Bank	No. of Branches	Total Assets (GH¢'000)	Year of Establishment
	Mar-09	December 2008	
Agriculture Development Bank Ltd	50	624,270	1965
Amalgamated Bank Ltd	13	300,984	1999
ARP Apex Bank	12	61,205	2000
Barclays Bank of Ghana Ltd	95	1,384,912	1917
Bank of Baroda	1	10,897	2008
Banque Sahelo – Saharienne pour L'Investissement et Commerce	1	15,080	2008
BPI Bank Ltd	9	41,619	1995
CAL Bank Ltd	13	338,902	1990
Ecobank Ghana Ltd	44	919,695	1990
Fidelity Bank Ltd	10	219,430	2006
First Atlantic Merchant Bank Ltd	6	386,081	1995
Ghana Commercial Bank Ltd	147	1,650,220	1953
Guaranty Trust Bank Ltd	12	174,052	2006
HFC Bank Ghana Ltd	17	378,613	2003
Intercontinental Bank Ltd	13	299,468	2006
International Commercial Bank Ltd	11	103,270	1996
Merchant Bank (Ghana) Ltd	15	537,793	1972
National Investment Bank Ltd	27	344,255	1963
Prudential Bank Ltd	16	282,485	1996
SG-SSB Bank Ltd	38	436,765	1976
Stanbic Bank (Ghana) Ltd	21	458,998	1999
Standard Chartered Bank Gh. Ltd	30	984,944	1896
The Trust Bank Ltd	17	253,006	1996
UniBank Ghana Ltd	12	116,637	1997
United Bank for Africa	24	194,921	2004
Zenith Bank Ltd	14	387,956	2005
Total	668	10,906,458	

Source: Company information. Year refers to year of establishment or commencement of business, where applicable

Historically, the Ghanaian banking industry has been dominated by the top 5 banks by total asset value: Barclays Bank; Ghana Commercial Bank; Standard Chartered Bank; Ecobank; and Merchant Bank. However, the dominance of the 5 top banks has been waning in recent years as a result of competition from the smaller players in the industry. Furthermore, there is a clear dichotomy in the sector between those banks that are either part of an international group or have parent companies with significant financial resources and the small to medium-sized banks. An evaluation of the state of the banking sector is usually characterized by total assets, loan portfolio, deposits and profits:

- **Assets⁴:** Driven by surges in loans, total assets of the banking industry rose by 328% to GH¢ 10.7 billion in 2008 from GH¢ 2.5 billion in 2003.

Loan Portfolio⁵: Credit granted by the banking sector has increased substantially over the last six years, growing by 390% to GH¢ 5.6 million in 2008. The extraordinary growth was due to lower interest rates, relatively stable exchange rates and the abolition of the secondary reserve requirement by the Bank of Ghana which led banks to gradually shift from investments in debt instruments to private sector credit. The quality of the industry's loan portfolio has remained generally good in recent years: loan loss provision to gross loans ratio, has seen a downward

⁴ Cal Bank Annual Report

⁵ Ghana Association of Bankers

trend, decreasing from a peak of approximately 17% in 2003 to 6.3% in 2008. This has resulted from improved risk management practices adopted by many of the banks.

- **Deposits⁶:** The industry's deposit base grew approximately 334% from GH¢ 1.6 billion in 2003 to GH¢ 7 billion in 2008. This growth was as a result of aggressive expansion into the unbanked areas and the entry of new banks into Ghana. Deposit mobilization is expected to increase significantly as banks increase the numbers of their branches in order to access customers as a form of relatively cheap source of funding.
- **Profits⁷:** Industry profits have seen tremendous growth in recent years with profit before tax increasing to GH¢ 301.3 million, a rise of 22.9% above 2007 profits. However, increased competition and higher expenditure has seen the industry's net profit margin dip from 16.2% in 2007 to 13.3% in 2008.

2.3 Regulatory Developments in the Banking Sector

The Bank of Ghana has overall supervisory and regulatory authority in all matters relating to banks and non-bank financial institutions with the purpose of achieving a sound, efficient banking system. Over the years, the regulatory framework has been improved in line with developments in the banking sector both locally and globally to ensure that Ghana's financial system is stable and serves as a facilitator for wealth creation, economic growth and development. The Bank of Ghana's market based approach to managing the industry has resulted in tremendous growth for the industry in recent years and has used a number of important tools as part of this approach. These include:

- Rationalization of minimum capital requirements
- Introduction of new financial instruments
- Increased use of open market operations for liquidity management

These tools have been applied in the context of several banking laws that have been enacted and amended over time. The main regulatory and legal frameworks within which banks operate in Ghana are as follows:

- The Companies Act 1963 (Act 179) as amended
- The Banking Act 2004 (Act 673).
- The Banking (Amendment) Act 2007 (Act 738)
- The Foreign Exchange Control Act 2006 (Act 723)

2.4 Market Developments

The industry has witnessed significant changes over the last few years. Notable among these are the increase in stated capital requirement, the increasing use of technology, entry of new banks, and the reform of the national payment system.

- **Increased Stated Capital Requirements⁸:** The BoG has set the minimum capital requirement for obtaining a Class 1 Banking License (Universal Banking License) at GH¢ 60 million, up from GH¢ 7 million. Banks with foreign majority shareholders are expected to meet this requirement by December 2009. However, banks with Ghanaian majority share ownership have to attain a capitalization of at least GH¢ 25 million by the end of 2010 and GH¢ 60 million by 2012. The

⁶ Ghana Association of Bankers

⁷ Ghana Association of Bankers

⁸ Bank of Ghana Press Release, February 14, 2008

recapitalization exercise is part of the Bank of Ghana's strategy to deepen Ghana's financial sector.

- **National Payment System Reform⁹:** As part of efforts to reform the payments system of the country, the Bank of Ghana has also undertaken several key initiatives including the launch of a National Switch (The E-zwich) which will create a common platform for all banks and savings and loans companies. A biometric card known as the E-zwich smart card will enable card holders to make payment for goods and services both online and offline. Bank of Ghana has also established the Ghana Interbank Payment and Settlement System (GHIPSS) to manage the payment and settlement system in the country. The GHIPSS will provide several services, including an Automated Clearing House (ACH), Real Time Gross Settlement System (RTGS) and Code Line Truncation. Eventually, all banks will be required to be members of GHIPSS either directly or through member banks.
- **New Entrants and Branch Expansions:** The banking industry has witnessed the entry of several new banks in the last five years. The new entrants have been: United Bank for Africa (2004), Zenith Bank (2005), Intercontinental Bank (2006), Guaranty Trust Bank (2006) and the Ghanaian-owned Fidelity Bank (2006). The most recent additions to the growing list are Bank of Baroda, Banque Sahelo-Saharienne pour l'Investissement et le Commerce (BSIC) and Access Bank. In a bid to reach out to their customers, over 100 new branches were commissioned by banks between 2006 and 2008, which demonstrates the immense potential of the industry.
- **Use of Technology:** The current technological deployments in the banking sector includes the use of Automatic Teller Machines (ATMs), Telephone Banking, Personal Computer(PC) Banking, Internet Banking, Branch Networking, Mobile Banking, Electronic Funds Transfer at Point of Sale (EFTPoS) and E-zwich which was recently introduced by the Bank of Ghana with the aim of promoting cashless banking in the country.
- **Product Development:** As competition in the banking industry continues to intensify, banks are beginning to focus more on creating customer-focused products and services. As a result, several products have recently been introduced in the industry including zero balance accounts, juvenile savings accounts, mobile phone credit top-ups, utility bill payments and other products targeted at corporates and SMEs.
- **Abolition of Secondary Reserve Requirement:** The Bank of Ghana has abolished the secondary reserve requirement, which was 15% of deposits. This has paved the way for banks to lend more to their customers and earn higher returns on their assets rather than investing in safe but low-yield government securities.
- **New Legislation and regulation:** The Credit Reporting Act 2007 (Act 726) and the Banking (Amendment) Act 2007 (Act 738) were both passed in 2007. The Credit Reporting Act is expected to improve credit analysis by the banking industry. Together with the Borrowers and Lenders Act 2008 (Act 773), these laws will serve to reduce information asymmetry and adverse selection within the credit market while improving the asset portfolio of the industry and facilitating the reduction of lending rates. In addition, the Anti-Money Laundering Act 2008 (Act 749), Non-Bank Financial Institution Act 2008 (Act 774) and the Home Mortgage Finance Act 2008 (Act 770) were passed to help check money laundering transactions, provide a level regulatory playing field and regulate home mortgage financing respectively.

⁹ Bank of Ghana, Notice No.BG/GOV/SEC/2008/2

The banking sector in Ghana is undergoing rapid development through the implementation of new laws, branch expansions, new entrants and the development of market-driven products and services. The competition in the industry is expected to intensify in the medium term. Banks are therefore expected to devote more resources to the design of customer-focused products and services as they battle to maintain or increase their market share.

2.5 Outlook of the Banking Sector

Overall, the banking sector in Ghana has a positive outlook. Several factors are expected to contribute to industry growth in the near term, namely:

- The amount of credit granted to the various sectors of the economy is expected to substantially increase, driven by the increase in the minimum capital requirement as well as the increased financing needs caused by the rapidly growing private sector.
- Mergers and acquisitions involving some industry players as well as Initial Public Offers (IPOs) in the banking sector in a bid to raise money to meet the new minimum capital requirement set by the central bank.
- Most banks are expected to undertake aggressive expansion programmes within the next five years in order to maintain and improve their market position. This will result in an increase in the number of branches and improvement in service levels.
- The economy of Ghana is currently under-banked with as much as 20.6%¹⁰ of the money in circulation as of December 2008, maintained outside the banking system. The Bank of Ghana recent reforms coupled with the overall growth in the economy are expected to drive increasing formalization of the economy which shall naturally benefit the banking industry.

¹⁰ Bank of Ghana Statistical Bulletin – December 2008

Part 3 – CAL BANK LIMITED

3.1 History and Background

CAL Bank Limited, formerly Continental Acceptances Limited and then CAL Merchant Bank was incorporated in March 1989 under the Companies Act, 1963 Act 179, as a private company Limited by shares to engage in the business of Banking. The Bank commenced business in July 1990. In August 1994, the Bank changed its name from Continental Acceptances Limited to CAL Merchant Bank to properly portray its business focus. In April 2004, the Bank was granted a universal banking license to enable it to undertake all banking activities. Consequently, the name was again changed to CAL Bank Limited. The Bank now provides a wide array of banking services to retail and corporate customers. In November 2004 CAL Bank was officially listed on the Ghana Stock Exchange (GSE), after a successful IPO to raise GH¢ 5.4 million (€54 billion) to finance its retail banking operations and its strategic repositioning as a Universal Bank.

CAL Bank offers customers banking and financial services through a network of 13 branches in 3 regions in Ghana. The Bank mobilizes resources both domestically and internationally and channels these resources towards investment and lending opportunities in Ghana. With its skilled professional staff and its emphasis on customer service and efficiency, the Bank plays an important role in Ghana's financial sector and is considered one of the most innovative Banks in the country.

3.2 Share Issue History

The table below shows the Bank's share issue history since 2004:

Financial Year	Description	Shares issued	Cumulative Issued Shares	Stated Capital GH¢ '000
31/12/2004	Initial Public Offer	18,000,000	155,092,774	7,059
31/12/2005	Employee/Directors' Share Scheme	1,983,235	157,076,009	7,143
31/12/2006	Employee/Directors' Share Scheme	1,550,927	158,626,936	7,143
31/12/2007	Employee/Directors' Share Scheme	5,311,616	163,938,552	8,008
31/12/2008	Employee/Directors' Share Scheme	3,271,987	167,210,539	8,272
30/04/2009	Employee/Directors' Share Scheme*	2,046,001	169,256,540	8,298

*as at April 30, 2009

3.3 Dividend History

The table below shows the Bank's five year dividend history:

Year	2008	2007	2006	2005	2004
Number of Shares	167,210,539	163,938,552	158,626,936	157,076,009	155,092,774
Dividend Paid (GH¢)	2,424,552.82	1,721,354.80	1,189,702.02	863,918.05	775,463.87
Dividend Per Share	0.0145	0.0105	0.0075	0.0055	0.0050
Payout Ratio	30%	27%	25%	32%	22%

3.4 Services, Products and Key Business Activities

The Bank's product and service offerings are organised around key customer segments.

Customer Segments

Corporate

The Bank's corporate customer segment consists primarily of well-known medium to large local and multinational companies. This segment also includes government-owned or quasi-government-owned companies, financial institutions and other smaller companies with a project finance or trade finance focus.

CAL Bank's combination of local market know-how coupled with a high standard of service; make it an attractive bank for corporate customers in Ghana. The Bank's Corporate Finance team provides a wide range of services to clients, including advice on mergers and acquisitions, corporate divestitures, recapitalisations, restructuring, joint ventures and strategic partnerships. The Bank continuously leverages its expertise in investment banking to provide a comprehensive array of corporate advisory services.

The Bank's corporate customers are primarily served through the head office and branch outlets, which house its corporate account officers and other staff dedicated to serving corporate customers. CAL Bank employs specialized staff dedicated to serving corporate customers in each of the branches.

Retail

Retail Customers include private individual, self-employed professionals, and small-and medium-sized enterprises ("SMEs"), other than those engaged in project or trade finance related activities.

The Bank is in the process of aggressively expanding its retail and SME customer base. It is increasing its efforts in retail banking by introducing new lending products, new distribution channels and also by investing in its network branches and in E-banking.

Retail Customers are typically served through the Bank's 13 branches and a network of ATM's and mobile sales outlets.

Products and Services

CAL Bank provides its corporate and retail customers with a wide range of banking and financial products and services. Among the core products offered by the Bank to its customers are:

Loans: The Bank offers corporate customers a number of standard loan products, including working capital loans and investment financing, as well as revolving loans.

CAL Bank offers retail and SME customers term loans and mortgage loans. Retail term loans are typically granted to retail customers for the purchase of specific consumer goods, including automobiles. Mortgage loans to retail customers are often used to finance the purchase of homes, but may also be granted for other purposes. Mortgage loans to SMEs are typically used to finance the purchase of real estate or for business expansion.

Trade Finance: Trade finance products include import and export loans. In addition, the Bank offers a number of types of guarantees, including bid bonds, advance payments guarantees, performance bonds and warranty guarantees.

Deposits and Investments Products: CAL Bank provides customers with a number of options for depositing their money, including call deposits, term deposits and certificates of deposit.

Payment and Account Services: CAL Bank offers services including funds transfers and payments, standing orders, direct debits and check payments. The Bank also offers cash management products, including zero minimum balance and foreign currency accounts.

Distribution Channels: The Bank's corporate customers are primarily serviced through the head office and branch outlets, which house its corporate account officers and other staff dedicated to serving corporate customers. CAL employs specialized staff dedicated to serving corporate customers in each of the branches. Retail customers are serviced through the head office branch and the Bank's other 12 branches, a network of ATM's, mobile sales and telephone banking.

Treasury: CAL Bank's Treasury Department is at the forefront of innovation in the Ghanaian foreign exchange and money markets. The Bank provides services to clients to facilitate international trade transactions and effective management of day-to-day short-term cash reserves. Corporate customers are offered a number of foreign currency exchange services and money market transactions, including foreign exchange spot transactions, call and term deposits and cross currency transactions. CAL Bank's Treasury department offers competitive rates on a variety of other deposit products including Call and Fixed Deposit Accounts.

Corporate Finance: The Bank's Corporate Finance team provides a wide range of services to clients, including advice on mergers and acquisitions, corporate divestitures, recapitalisations, restructuring, joint ventures and strategic partnerships. The Bank continuously leverages its expertise in investment banking to provide a comprehensive array of corporate advisory services.

3.5 Top 20 Shareholders

CAL Bank has a Ghanaian and international shareholding base. The top 20 shareholders of the Bank as at April 30th, 2009 are:

	Shareholder	Number of Shares	Holdings
1	Social Security & National Insurance (SSNIT)	43,649,526	25.79%
2	Afari Donkor	18,120,000	10.71%
3	Daniel Ofori	13,455,045	7.95%
4	Frank Adu Jhr.	6,027,796	3.56%
5	Std Noms (TVL) Renaissance Securities (Cyprus) Ltd	5,889,814	3.48%
6	Vanguard Assurance Company Ltd	5,194,608	3.07%
7	BBGN/ Bardays Mauritius Re Duet Africa	3,707,321	2.19%
8	SSNIT SOS Fund	2,652,400	1.57%
9	Benjamin Fosu Ansah	1,781,520	1.05%
10	BBGN/ SSB Eaton Vance Tax Managed Emerging Mkt	1,731,000	1.02%
11	Malcolm Pryor	1,443,293	0.85%
12	VRA Staff PF	1,247,155	0.74%
13	Pryor, Count & Co. Inc	943,642	0.56%
14	CAL Brokers Equity Holding	885,286	0.52%
15	Teachers' Fund	800,000	0.47%
16	Daniel Ofori itf Esther Frimpong	778,414	0.46%
17	BBGN/ Bardays Mauritius Re African Alliance	723,380	0.43%
18	BBGN/ BBH Cust. For BBHTSIA Stand Master Fund	707,823	0.42%
19	BBGN/ Bardays Maur. Re. AIG Sub-Sah. Africa Mkt	700,000	0.41%
20	BBGN/ BBH Cust. BBHTSIA Stand MST FD PLC	694,682	0.41%
	Top 20 Total	111,132,705	65.66%
	Others	58,123,835	34.34%
	Total	169,256,540	100.00%

3.6 Board of Directors and Corporate Governance Structures

CAL Bank's Board is primarily responsible for approving and reviewing the Bank's business strategies and significant policies. The Board also ensures that the Bank's management controls and manages risk effectively. There are eight members of the Board, comprising six non-executive and two Executive Directors. Overall, the Board members represent a broad mix of competencies and experiences and the table below provides a summary on the background of the Bank's directors:

Title	Name	Birth date	Educational Qualification	Other Directorship	Nationality
Chairman	AHOMKA-LINDSAY Robert	04-Jul-64	Bsc (Hons) Economics, MBA, University of Chicago	Africa Investor (UK), Medical Students for South Africa and Metropolitan Insurance	Ghanaian
Managing Director	ADUJNR Frank Brako	22-May-62	BA (Hons), MBA Finance, University of Ghana, Legon	Roman Ridge School, Ghana Leasing Co. Ltd, Ghana Stock Exchange	Ghanaian
Director	PRIOR Malcolm Dermott	14-May-46	MBA Finance, Wharton	Enterprise Fedha Finance Company (EFFCO) Botswana, IOC Africa (South Africa), Elgin Engineering (South Africa), Hodi Hotels (Tanzania), SAEDF (South Africa), Moe & Jack, South African Economic Development Fund	American
Director	VANPERCY Paarock Asuman	05-Jan-60	BA (Hons), Fellow, Institute of Chartered Accountants Wales and England	AIMAC Ltd, Ghana Leasing Co. Ltd, Bulpe Resources Development & Investment, CAL Asset Mgt Ltd.	Ghanaian
Director	BRENNER James	08-Jul-57	BA (Wesleyan University), MA (Harvard University)	CEO Broad Cove Partners, RHMK, Overseas Vote Foundation	American
Director	AWUA-KYEREMATEN Leonora	15-Oct-51	LLB, BL, Postgraduate Certificate in Comparative Law	Rights and Voice Initiative, Christian Council of Ghana	Ghanaian
Executive Director	TUMI Kwasi	04-Dec-60	Institute of Chartered Accountants	Fraiche Co. Ltd, Ridge Alumental Co. Ltd	Ghanaian
Director	QUANSAH Kobina (Dr)	03-Sep-43	Bsc. Econs (Hons), Fellow Chartered Institute of Bankers, Hon. Doctorate Degree, Univ. of Development Studies	Vodafone Ghana, University of Cape Coast Endowment Trust, Gold Coast Fruits Co. Ltd, Unique Insurance Co. Ltd, Fintrade Foundation, Bigleb Construction Ltd, Newmont Gold Advisory Council, Pioneer Aluminium Kitchenware Ltd, PAQ Contract Mining Services Ltd.	Ghanaian

CAL Bank recognises the importance of good corporate governance as a means of controlling and sustaining the long-term viability of the business. CAL Bank has Board and Management Committees and other control systems to ensure good corporate governance. There are four Board Committees (Executive, Risk, Audit and Compensation) each consisting of non-executive members of the Board. These committees act as management support to the Board of Directors with regard to the introduction and supervision of the Bank's internal control function. The Bank also has in place written policies and procedures that ensure that the Board interfaces directly with investors, internal compliance and external officers.

The Directors (except the Managing Director and Executive Director) are required to retire by rotation in the following manner: at every annual general meeting one third of the Directors with the longest term in office are required to retire, with the retiring Director also eligible for re-election.

3.7 Human Resources and Senior Management

The Bank's workforce of 319 employees as at December, 2008 is relatively young and seasoned professionals. To encourage employee dedication, the Bank has been very active in developing both in-house and external training programs that include international education programs for managers. In order to retain its best performers, the Bank also has a performance based compensation that is considered to be very attractive compared to the rest of the industry and includes stock options.

The Management team is responsible for the day-to-day operations of the Bank and for managing the growth of the Bank. The majority of the Bank's senior management have more than 10 years of banking experience with CAL Bank as well as other banks. At the middle management level, CAL Bank has very dynamic and well qualified professionals. The company's Senior Management is made up of the Managing Director, Executive Director and twenty-eight (28) managers.

Key members of CAL Bank's senior management team include:

Name	Title/ Area of Focus
Mr. Frank Brako Adu Jnr.	Managing Director and member of the Board of Directors. Responsible for overall management and strategic vision.
Mr. Kwasi Tumi	Executive Director with responsibility for the operational activities of the bank, including the treasury and corporate banking.
Mr. Philip Owiredue	General Manager, Finance and Administration. Responsible for Finance Control, Marketing and general banking operations as well as overall administrative functions.
Mr. Joseph Ofori-Teiko	Director of Risk Management, ensures the provision of a balanced assessment of all significant risks and the effectiveness of the internal control systems.
Mr. Thomas Boansi-Sarpong	Director of Financial Control, responsible for maintaining budgetary control and establishing appropriate financial systems.
Mr. Kofi Ntow Agyemang	Director of Corporate Finance. Responsible for developing the corporate finance business of the Bank.
Mr. Philip Duodu Fynn	Director of Treasury, responsible for Treasury and obtaining finance and managing relations with stakeholders
Ms. Jacqueline Benyah	Director of Corporate & Institutional Banking, responsible for developing and managing relationships with institutional clients.

3.8 Key Management Committees

The Bank's charter calls for the establishment of a number of management committees. These include:

Senior Management Committee: This committee consists of seven members and chaired by the Managing Director. It deliberates on the strategic management and financial performance issues of the Bank and meets on a monthly basis.

Management Committee: The management committee's function is to deliberate on financial, management and operational issues of the Bank. This committee meets quarterly and consists of the executive, all heads of departments and branch managers. It is chaired by the Managing Director.

Asset Liability Committee (ALCO): The Bank's ALCO is in charge of monitoring liquidity risks, maturity gaps and interest rate risks. The committee meets on a monthly basis. It is composed of seven permanent members and is chaired by the Managing Director.

Credit Committee: The credit committee is composed of 10 members appointed for a one-year term plus a secretary. The committee reviews and approves all corporate and significant retail and business banking loans and meets at least every two weeks. Its decisions are made based on simple majority.

CAL Bank's credit policies are outlined in the credit policies manual of the Bank. Overall, the credit policies are aimed at maximizing the growth and the performance of the Bank's loan portfolio, while maintaining the same quality of the assets. The credit approval process is a multi-layered one which requires loans to be approved at a higher level of authority depending on the loan amount with no individual approval limits. There is a clear segregation of the three functions involved in the credit process namely: the marketing and relationship management; the processing and origination of loans; and the supervision and administration of these loans.

CAPEX Committee: This committee is responsible for ensuring that the rules relating to bidding and procurement of goods and services by the Bank are complied with in accordance with the approved policy. The committee is also responsible for approving contracts for the purchase of goods and services for the Bank.

3.9 Compensation Schemes

The Bank operates competitive compensation schemes to attract and retain top executive talent.

a) Service Contracts for Executive Directors

The Bank has in place renewable service contracts for the two Executive Directors of the Bank, with total compensation consisting of: combined gross salaries of GH¢330,600 and annual performance bonuses (based on a formula determinable by the Board).

b) Executives and Senior Management Share Option Scheme

The Board approved an Executive and Senior Management Share Options Scheme after a shareholders' resolution passed on April 26, 2004. Following are the key features of the scheme:

- i. Options totalling 3% of the post-IPO total issued ordinary shares of the Bank as at November 2004 (representing 4,517,784 ordinary shares) are awarded to the Executives and Senior Management Staff.
- ii. The options are exercisable at the IPO price of GH¢0.20.
- iii. The options are exercisable in equal amounts over a five-year period commencing January 2005 and ending December 2009. Options not exercised after the respective exercisable date will accumulate and must be exercised by December 31, 2009 after which they will lapse.
- iv. The options will lapse when the employee leaves the Bank except that they will automatically become exercisable in cases where the employee leaves on account of ill-health, retirement, termination without cause, death, and change in control or in other cases as decided by the Board of Directors.
- v. Options totalling 2,973,034 had been exercised by Executives and Senior Management as at April 30, 2009.

The Board and shareholders of the Bank also approved a Non-Executive Directors' Share Options Scheme on April 26, 2004. Options totalling 2.00% of the post-IPO total issued ordinary shares of the Bank as at November 2004 (representing 3,011,855 ordinary shares) were awarded to the Non-Executive Directors of the Bank over a three-year period commencing January 2005 at an exercise price of GH¢0.20. This Scheme lapsed on December 2007 and as at this date the options had been fully exercised.

c) Bonus Scheme

The Shareholders of the Bank at the Annual General Meeting held on 18th March 2005 passed a resolution to allot a pool of shares of up to 5% of the issued shares at 31st December 2005 totalling 7,754,639 for distribution to Non-Executive Directors and Executives of the Bank over a period of 5 years linked to the performance of the Bank and as determined by the Board.

3.10 Information and Communication Technology (ICT)

CAL Bank uses up-to-date ICT channels to offer its customers a wide range of services reducing the time required to manage their account. On a day-to-day basis, the MIS department is responsible for the maintenance of the Bank's information technology activities, including the execution and maintenance of all banking systems. The department is also responsible for preparing all necessary platforms to meet all reporting requirements and in conjunction with the Cards and Electronic Banking Unit develops new

IT-based products. The Bank has a centralized architecture with servers in Accra and all users running local workstations connected through a real-time local area network, based on a combination of radio and satellite connections. The Bank has an up-to-date technology infrastructure running standard operating system and database technologies.

3.11 Subsidiaries and Associate Companies

CAL Bank has two fully owned subsidiaries, CAL Brokers Limited and CAL Asset Management Limited, both contributing approximately 12% to the Bank's consolidated financial results in 2008. CAL Brokers carries out a range of stock market and other related securities industry services such as securities trading, market research, and financial advisory services to private and public offerings. CAL Asset Management provides investment and fund management services to institutions, fund managers, pension and mutual funds and high net-worth individuals.

The Bank also has a 39% stake in Ghana Leasing Company Limited, a firm engaged in the financing of operational and capital leases in Ghana over the last 14 years.

3.12 Material Contracts

Apart from the contract listed below, all other contracts to which the Bank is a party have been entered into in the normal course of business.

- i. Agreement dated 18 August 2008 (and renewed 21 August 2009) by which the Bank appointed NewWorld Renaissance Securities Limited, IC Securities (Ghana) Limited and Cal Brokers Limited as joint advisors and sponsoring brokers for a proposed rights offering.

3.13 Litigation

Litigation brought by or against the Bank as at June 2009 is not expected to have any adverse impact on the conduct of the Bank's business. Actions instituted by CAL Bank are usually for the recovery of loans and advances. Except for loan recovery cases there are four outstanding cases brought against the Bank, namely:

- i. *Francis Woode vrs CAL Bank* - Plaintiff sued the Bank for wrongful dismissal. His claims were dismissed by the Court of Appeal. There is now pending in the High Court the Bank's counterclaim for GH¢8,002.29 and interest being the sum outstanding on a loan granted to the plaintiff.
- ii. *Paradise Fisheries Ltd vrs CAL Bank and 2 others* - Plaintiffs have sued the Bank for allegedly transferring money to the plaintiff's supplier without his consent.
- iii. *Abrokwa vrs CAL Bank* - This is a claim for wrongful termination of employment by a former executive of the Bank.
- iv. *CAL Bank vrs Fred Oware* - This is a claim for a refund of part-payment of rent paid to the Defendant to rent his property.
- v. *Samir Said El-Masri, Shadco Ventures Ltd v Frank Adu Jnr and CAL Bank Ltd* - This is a claim for false imprisonment, unlawful arrest, defamation, failure to honour cheques, refusal to process export documentation and a refund of wrongfully charged interest.

The maximum claim value for each of the cases outlined above is not above GH¢100,000.

3.14 Disclosure of Interests by Directors

As at July 15, 2009, the interests of CAL Bank's Directors and their immediate families in CAL Bank shares were as follows:

Name	No. Shares	Holdings
Frank Adu Jnr.	6,027,796	3.56%
Malcolmn D. Pryor	1,443,293	0.85%
Paarock A. VanPercy	543,460	0.32%
Robert Ahomka-Lindsay	394,046	0.23%
Kwasi Tumi	330,334	0.20%
James C. Brenner	296,025	0.17%
L Awua-Kyerematen	169,305	0.10%
Kobina Quansah	83,492	0.05%
Total	9,287,751	5.49%

3.15 Disclosure of Interests by Advisors

- i. As at the date of this document, NewWorld Renaissance held 22,100 CAL Bank shares. Renaissance Securities (Cyprus) Limited, an associated firm of NewWorld Renaissance held 5,889,814 of CAL Bank shares.
- ii. As at the date of this document, IC Securities (Ghana) Limited held 167,700 CAL Bank shares and its employees held a total of 6,991 CAL Bank shares. Aside the declarations already made elsewhere in this document no subsidiary, affiliate, or principal of IC Securities held or had interest in any CAL Bank shares
- iii. As at the date of this document, CAL Brokers (a wholly-owned subsidiary of the Bank) held 950,162 CAL Bank shares and its employees held a total of 85,907 CAL Bank shares. CAL Asset Management held 322,576 CAL Bank shares on behalf of its clients. Aside the declarations already made elsewhere in this document no subsidiary, affiliate, or principal of CAL Brokers held or had interest in any CAL Bank shares.
- iv. As at the date of this document, a partner at Reindorf Chambers (Legal Advisors) held 10,000 shares of CAL Bank. Except for this holding, no other employee or principal of the firm or any of its associated persons held or had interest in any CAL Bank shares.
- v. As at the date of this document, Deloitte & Touche (Reporting Accountants) did not hold any CAL Bank shares. No employee or principal of the firm or any of its associated persons held or had interest in any CAL Bank shares.

3.16 Other Disclosures

- I. *Relationships Among Directors* – There are no family relationships among the Directors.
- II. *Bankruptcy Petitions* – No petition under any bankruptcy law has been filed against any Director, or any partnerships of which such persons were partners, or of any company in which such persons are or were directors.
- III. *Criminal Proceedings or Convictions for Fraud or Dishonesty* – No person who is a Director or has been nominated to become a Director has been convicted in a criminal proceeding or is a named subject of any pending criminal proceeding relating to an offence involving fraud or dishonesty.

- IV. *Prohibition against Financial Advisory or Capacity to Hold Office* – No person who is a Director or has been nominated to become a Director has been subject of any judgement or ruling of any court of competent jurisdiction, tribunal or government body permanently or temporarily enjoining him from acting as an investment advisor, dealer in securities, Director or employee of a corporate body or engaging in any type of business practice or activity or profession.
- V. *Directors Powers to Borrow and Charge the Bank's Assets* – Subject to the provisions of section 202 of the Companies Act (except section 202(5)), the Directors may exercise all the powers of the Bank to borrow money and to mortgage or charge its property and undertaking or on any part thereof, and to issue debentures. Such powers can be varied by amending the Bank's Regulations.

3.17 Risk Factors

Before subscribing to the rights issue of CAL Bank, an investor should consider carefully the specific risk factors set out below, and other financial information in this Offering Circular. Any of the risk factors detailed below as well as other influences beyond the Bank's control, may adversely affect its financial condition and the results of its operations and this may impact the Bank's ability to achieve its strategic objectives.

Political

Potential political unrest is a risk to the operations of any bank operating in Ghana including CAL Bank as it could adversely impact the demand for credit. However, Ghana has successfully conducted peaceful elections since the beginning of the Fourth Republic in 1992 and just ended peaceful polls for the fifth time under the fourth Republic in January 2009. The democratic process prevailing in the country and the support from the international community for Ghana's political system reduces the risk of significant political unrest. While the Bank has systems, controls and procedures designed to mitigate political risk, there can be no assurance that any adverse political events will not have a negative impact on the Bank's business.

Macro-economic

The operational results, income and growth of assets by CAL Bank may depend to an extent on the stability of Ghana's macro-economy. The Bank like all entities operating within the borders of Ghana is exposed to economic risks associated with the country. The Bank's management team has put in place systems and procedures to minimise the Bank's exposure to adverse economic conditions; however, this cannot provide an assurance that adverse economic conditions will not hamper the Bank's performance.

Competition

CAL Bank competes with a number of international banks, regional banks, retail, commercial, investment banking firms, brokerage firms and other financial services firms. The new capital requirements set by the Bank of Ghana could result in CAL Bank's competitors having increased access to capital and extensive ranges of products and services. Thus, the nature of competition in the industry could negatively affect the Bank's financial performance. However, CAL Bank has responded well to increased competition over the past few years and has successfully grown its business. The Bank expects to continue thriving despite the potential for increased competition in the industry.

Treasury

The treasury department of the Bank actively manages its foreign currency open positions as stipulated or mandated by the central bank with a view to making profits. All such activities are carried out within strict limits set by the Assets Liability Management Committee ("ALMC") which does not permit maintaining any overnight positions in excess of the ALMC or BoG limits, (whichever is lower). All treasury activities are strictly monitored by the Bank's Risk Management Department.

Financial

CAL Bank's core operations as managers of financial assets and liabilities expose it to other financial risks. These include liquidity risk, the ability to meet customers' withdrawal needs, credit risk and interest rate risks. CAL Bank through its experienced staff has put in place policies, procedures and reporting systems, which help the Bank to manage its exposure to these risks. The Bank is also actively supervised by the Bank of Ghana, which ensures that depositors' funds are safe and that the Bank is managed in the interest of all its stakeholders.

Human Resource

The continued growth of CAL Bank's existing operations depends on its ability to retain and recruit employees who have the right qualifications and experience. The pool of individuals with the required set of skills in Ghana is limited. Furthermore, increasing competition for high quality talent from local and international financial institutions may make it difficult for the Bank to attract and retain qualified employees in the future. The Bank actively manages its human resource risks through the creation of a dedicated recruitment team which actively seeks to identify and recruit high quality talent. In so doing, the team works to create and maintain an environment that prioritises professional development and rewards performance so as to retain the best employees.

Corporate Governance

The Bank has implemented well thought-out corporate governance procedures and structures to help mitigate the potential governance risks. The Bank's Board is mostly made up of independent, non-executive Directors with sound knowledge of the operations of a financial institution. The Board has also established various Board sub-committees to provide the needed leadership and oversight of key areas of the Bank's activities. The reputation and the experience of the members of the Board as well as its governance practices should ensure that the Bank's management and directors fully carry out their fiduciary duties to all stakeholders.

Fraud

Fraudulent practices by employees and customers are always a possibility in the financial industry. The Bank mitigates this risk through its efficient reporting systems, staff screening, transaction scrutiny and the implementation of an effective know-your-client policy. The Bank also has a bankers' blanket insurance policy to cover such risks.

Information Technology

Information technology is central to the way in which CAL Bank delivers services to its clients. As such, the Bank is exposed to the risk of system failure which would adversely affect the operation of the Bank. To mitigate these risks, the Bank has adopted a world class IT risk mitigation system and robust disaster recovery infrastructure. Such measures are to ensure that CAL Bank remains operational in the event of a systems failure.

Risk Management

CAL Bank has written risk management policies and procedures in place; however with the continuous expansion in the Banks activities and keeping in line the targeted date of 2009 for banks to be BASEL II compliant, the Bank has reviewed its risk management policies to ensure compliance.

Capital Market Risk

Liquidity

The additional CAL Bank shares on offer will be listed on the GSE. However, this does not guarantee liquidity of the Bank's shares. Thus, investors wishing to sell their shares may not be able to sell at a particular time or at their preferred price.

Dilution

An investor's holdings in CAL Bank will be diluted if that investor does not participate fully in the rights issue and additional shares are offered to other investors.

3.18 Additional Information

- Deloitte & Touche, Reporting Accountants, have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their reports in Parts 3.19 and 5.1 of this document and the references thereto in the form and context in which they appear.
- Save as disclosed in this circular, there has been no material change in the financial or operating position of CAL Bank other than in the ordinary course of business since December 31, 2008 the date to which the last audited accounts of CAL Bank were prepared.
- Save as disclosed in this circular, CAL Bank has not engaged in any litigation or arbitration of material importance to affect its financial position, and the Directors are not aware of any such litigation or arbitration.

3.19 Documents Available for Inspection

Copies of the following documents in respect of the business and affairs of CAL Bank and the Rights Issue may be inspected at the registered office of CAL Bank during normal business hours of any working day during the Offer period:

- i. The Board's resolution dated July 16, 2009 authorising the Bank to undertake a Rights Issue
- ii. The resolution passed by shareholders at the Annual General Meeting dated March 26th, 2009
- iii. The Bank's audited annual reports for the five years to 2008
- iv. The Rights Issue Circular
- v. The Escrow Account Agreement and Addendum to Agreement



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The Directors
CAL Bank Limited
23 Independence Avenue
P.O. Box 14596
Accra – Ghana

24 July 2009

Dear Directors,

RENOUCEABLE RIGHTS ISSUE - ACCOUNTANTS' REPORT

We have examined the audited financial statements of CAL Bank Limited for the years relevant to this report.

KPMG have acted as Auditors of the Bank for the years relevant to this report. For each of the relevant years, the Auditors issued an unqualified audit report. The Board of Directors approved the audited financial statements to 31 December 2008 on 5 March 2009.

The audited financial statements have been prepared on the basis of the accounting policies set out below. The financial statements for accounting periods beginning after 31 December 2006, within this report, have been, in all material respects, prepared in accordance with the International Financial Reporting Standards (IFRS).

Our work has been carried out in accordance with the Auditing Guidelines: "International Standards on Review Engagements."

In our opinion, the financial information set out below gives a true and fair view of the profits & loss accounts, balance sheets and cash flows of the Bank for the years stated and of the state of affairs of the Bank at the end of those years, in accordance with IFRS.

Yours faithfully,

CAL BANK LIMITED
HISTORICAL FINANCIAL STATEMENTS
CONSOLIDATED PROFIT AND LOSS ACCOUNTS
in thousands of Ghana Cedis

	Notes	2008 GH¢	2007 GH¢	2006 GH¢	2005 GH¢	2004 GH¢
Interest income	1	38,113	24,401	16,267	13,266	9,549
Interest expense	2	-21,682	-12,362	-6,822	-5,167	-4,636
Net Interest income		16,431	12,039	9,445	8,099	4,913
Commissions and fees	3	6,185	3,957	3,751	2,948	2,887
Net trading income	4	10,199	5,966	4,340	892	905
Other operating income	5	1,780	1,242	881	1,032	1,528
Total operating income		34,595	23,204	18,417	12,971	10,233
Operating expenses	6	-21,178	-14,646	-8,844	-6,863	-4,881
Charge for bad and doubtful debts		-2,185	-1,646	-2,770	-1,653	-789
Operating profit		11,232	6,912	6,803	4,455	4,563
Share of associate profit		267	204	-	-	-
Profit before tax		11,499	7,116	6,803	4,455	4,563
Taxation		-2,431	-1,912	-2,101	-1,785	-1,081
Profit after tax		9,068	5,204	4,702	2,670	3,482
Income Surplus Account						
		2008 GH¢	2007 GH¢	2006 GH¢	2005 GH¢	2004 GH¢
Balance as at 1st January re-stated		9,312	5,621	3,261	4,018	4,498
Net profit transferred from profit & loss		9,068	5,204	4,702	2,670	3,482
Transfer to statutory reserve fund		-3,779	-331	-1,138	-2,561	-387
Dividend paid		-1,752	-1,182			
Proposed dividend		-	-	-1,190	(866)	(775)
Transfer to stated capital		-	-	-	-	-2,800
Balance as at 31st December		12,849	9,312	5,635	3,261	4,018

CAL BANK LIMITED
HISTORICAL FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEETS
in thousands of Ghana Cedis

		2008	2007	2006	2005	2004
		GH¢	GH¢	GH¢	GH¢	GH¢
Assets						
Cash and Bal with BOG	7	30,357	18,565	4,742	8,358	4,737
Items in course of collection		2,852	2,163			
Government Securities	8	43,530	34,285	29,035	19,293	24,704
Due from other Banks	9	46,959	47,754	25,952	19,467	16,936
Loans and advances	10	190,938	114,918	85,680	39,792	30,132
Investment in other securities	11	1,605	2,320	2,472	3,788	801
Investment in associated co.		1,101	814	-	-	-
Other assets	12	5,717	3,034	1,858	1,145	1,396
Current tax assets		966	34	50	116	10
Property & equipment	13	14,371	11,704	7,219	5,170	3,839
Intangible assets*		506	136	-	-	-
Total Assets		338,902	235,727	157,008	97,129	82,554
Liabilities						
Customer deposit	14	162,428	120,389	85,033	60,781	48,035
Due to other banks & Financial Ins.		14,232	3,937	2,882	1,656	5,509
Borrowings	15	115,592	67,306	39,784	11,635	7,332
Accruals and liabilities	16	6,099	10,708	7,008	4,370	4,858
Deferred Taxation		3,123	2,280	862	345	223
Total Liabilities		301,474	204,620	135,569	78,788	65,956
Shareholders' Funds						
Stated Capital		8,272	8,008	7,143	7,143	7,059
Statutory Reserve Fund	17	9,437	7,442	5,937	4,799	2,239
Capital Surplus		4,087	3,890	2,723	3,137	3,282
Income Surplus		12,849	9,312	5,636	3,262	4,018
Other reserve		2,783	2,455	-	-	-
Total Shareholders' Fund		37,428	31,107	21,439	18,341	16,598
Total liab. & Shareholders' Fund		338,902	235,727	157,008	97,129	82,554

*This was due to reclassification as a result of the adoption of IFRS

CAL BANK LIMITED
HISTORICAL FINANCIAL STATEMENTS
CONSOLIDATED CASHFLOW STATEMENTS
in thousands of Ghana Cedis.

	2008 GH¢	2007 GH¢	2006 GH¢	2005 GH¢	2004 GH¢
Operating Activities:					
Operating profit before taxation	11,499	7,116	6,803	4,455	4,563
Adjustments for:					
Depreciation	1,586	1,158	809	581	431
Impairment of financial assets	2,186	1,646	2,770	1,653	789
Profit/(loss) on sale of fixed assets	(36)	(17)	(19)	(3)	-
Dividend received	(28)	(54)	(44)	(17)	(3)
Share based payments	1,293	618	-	-	-
Other employee benefit expenses	160	152	-	-	-
Associated company profit	(267)	(204)	(148)	(114)	(80)
Impairment of investment in associated company	(17)	114	46	191	70
Change in fair value of investment	(270)	(370)	-	(210)	(228)
Accretion of deferred income	(286)	(119)	-	-	-
	15,820	10,040	10,217	6,536	5,542
Adjustment for items shown separately					
Net cash flow from trading activities					
Change in government securities	(12,054)	(4,782)	(9,742)	5,621	(7,720)
Change in investments in securities	1,045	(210)			
Change in loans and advances	(78,138)	(29,122)	(48,658)	(11,314)	(9,130)
Change in other assets	(2,686)	(1,180)	(713)	250	(730)
Change in customer deposits	42,039	33,672	24,252	12,747	14,440
Change in amount in due to other banks	10,295	1,055	1,225	(3,853)	704
Change in & other liabilities	(4,562)	6,149	2,224	(576)	(1,082)
Taxation	(2,501)	(1,924)	(1,518)	(1,768)	(1,720)
Net cash used in operating activities	(30,742)	13,698	(22,713)	7,643	303
Investing activities					
Purchase of tangible fixed assets	(4,640)	(3,279)	(2,859)	(1,911)	(222)
Proceeds from sales of tangible fixed assets	53	17	19	3	-
Disposal of treasury shares	178	112			
Proceeds from sale of trade investments			1,418	(3,064)	-
Bank's shares held by subsidiary			(414)	(145)	-
Revaluation fee paid					(3)
Net cash flow from investing activities	(4,409)	(3,150)	(1,836)	(5,117)	(224)
Financing Activities					
Net changes in borrowings	48,286	27,522	28,239	4,387	4,223
Dividend paid	(1,741)	(1,202)	(864)	(777)	(350)
Dividend received	28	54	44	17	3
Proceeds from issue of shares	264	865	-	-	-
Net cash flow from financing activities	46,837	27,239	27,419	3,626	3,876
Increase in cash & cash equivalent	11,686	37,787	2,870	6,152	3,955
Analysis of changes in cash & cash equivalent					
Balance at 1 January	68,482	30,695	27,825	21,673	17,718
Net cash flow	11,686	37,787	2,870	6,152	3,955
Balance at 31 December	80,168	68,482	30,695	27,825	21,673

CAL BANK LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31
 DECEMBER 2004 TO 2008

1. Interest Income

	2008	2007	2006	2005	2004
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Placements, special deposits, etc.	1,996	734	515	785	972
Investments	6,073	5,071	4,430	3,311	2,457
Loans & advances	30,044	18,596	11,322	9,170	6,120
	38,113	24,401	16,267	13,266	9,549

2. Interest Expenses

	2,008	2007	2006	2005	2004
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Current accounts	2,788	2,698	2,145	977	1,182
Time & other deposits	9,934	4,044	2,568	3,053	2,934
Overnight & call	344	163	193	180	142
Borrowings	8,616	5,457	1,916	957	379
	21,682	12,362	6,822	5,167	4,637

3. Commissions & Fees

	2008	2007	2006	2005	2004
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Letters of credit & gaurantees	1,705	977	639	726	749
Foreign transfers	980	673	573	248	265
Other commissions	1,359	1,107	1,016	1,265	1,335
Other fees	2,141	1,200	1,523	709	538
	6,185	3,957	3,751	2,948	2,887

4. Net trading Income

	2008	2007	2006	2005	2004
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Foreign Exchange	9,929	5,622	4,340	892	905
Equity held for trading	270	344	-	-	-
	10,199	5,966	4,340	892	905

5. Other Operating Income

	2008 GH¢'000	2007 GH¢'000	2006 GH¢'000	2005 GH¢'000	2004 GH¢'000
Gain on sale of investment	-	26	-	-	-
Other Income	1,744	1,199	880	1,032	1,528
	1,744	1,225	880	1,032	1,528

6. Operating Expenses

	2008 GH¢'000	2007 GH¢'000	2006 GH¢'000	2005 GH¢'000	2004 GH¢'000
		-1158			
Staff cost	11,449	6,469	3,949	2,903	1,999
Advertising & marketing	1,101	940	474	448	334
Admin Expenses	660	507	306	199	170
Equity-settled share based payments	517	287	-	-	-
Directors' Emoluments	115	67	117	136	135
Auditors' Remuneration	51	44	37	30	22
Other Expenses	7,302	6,218	3,915	2,956	2,221
Dimunition in value of shares	-17	114	46	191	0
	21,178	14,646	8,844	6,863	4,881

7. Cash & Balances with Bank of Ghana

	2008 GH¢'000	2007 GH¢'000	2006 GH¢'000	2005 GH¢'000	2004 GH¢'000
Cash in hand	5,519	5,425	2,218	2,047	1,679
Balances with Bank of Ghana	24,838	13,140	2,524	6,312	3,058
	30,357	18,565	4,742	8,358	4,737

8. Government Securities

	2008 GH¢'000	2007 GH¢'000	2006 GH¢'000	2005 GH¢'000	2004 GH¢'000
Treasury bills	14,757	2,274	3,711	8,995	13,809
Government bonds	28,773	32,011	25,324	8,783	8,765
Linked bonds	-	-	-	1,515	2,129
	43,530	34,285	29,035	19,293	24,704

9. Due from Other Banks and Financial Institution

	2008 GH¢'000	2007 GH¢'000	2006 GH¢'000	2005 GH¢'000	2004 GH¢'000
Nostro account balances	45,440	42,223	23,766	7,077	11,000
Placement with other banks	1,519	5,531	2,186	12,390	5,936
	46,959	47,754	25,952	19,467	16,936

10. Loans & Advances to Customers

	2008 GH¢'000	2007 GH¢'000	2006 GH¢'000	2005 GH¢'000	2004 GH¢'000
Overdrafts	100,865	40,068	34,432	27,473	17,978
Term loans	87,972	73,431	54,432	14,334	10,959
Other advances	10,351	7,326	2,960	2,574	4,444
Gross loans	199,188	120,825	91,824	44,381	33,380
Less					
Impairment	(8,250)	(5,907)	(6,144)	(4,589)	(3,248)
	190,938	114,918	85,680	39,792	30,132

11. Investment in other Securities

	2008 GH¢'000	2007 GH¢'000	2006 GH¢'000	2005 GH¢'000	2004 GH¢'000
Investment securities	1,235	564	724	622	699
Available-for-sale-investment	370	1,756	1,748	3,166	102
	1,605	2,320	2,472	3,788	801

12. Other Assets

	2008 GH¢'000	2007 GH¢'000	2006 GH¢'000	2005 GH¢'000	2004 GH¢'000
Sundry debtors	2,607	2,080	425	54	857
Accrued income receivable	178	64	326	584	142
Prepayments	1,685	549	706	502	230
Items in transit	1,247	341	401	6	166
	5,717	3,034	1,858	1,145	1,396

13. Property, Plant and Equipment

	2008 GH¢'000	2007 GH¢'000	2006 GH¢'000	2005 GH¢'000	2004 GH¢'000
Cost or Valuation					
Bank premises	8,829	8,312	4,493	3,833	3,525
Furniture & Equipment	5,064	4,154	2,996	1,912	1,229
Motor Vehicles	1,248	1,159	872	657	463
Work in Progress	4,190	1,699	1,590	719	-
	19,331	15,324	9,951	7,121	5,217

Depreciation

Bank premises	1,029	746	641	397	148
Furniture & Equipment	3,370	2,338	1,670	1,239	995
Motor Vehicles	561	536	421	315	235
Total Depreciation	4,960	3,620	2,732	1,951	1,378
Net Book Value	14,371	11,704	7,219	5,170	3,839

14. Customer Deposits

	2008 GH¢'000	2007 GH¢'000	2006 GH¢'000	2005 GH¢'000	2004 GH¢'000
Current account	64,562	71,116	57,787	40,779	25,125
Time deposits	93,551	46,202	25,868	19,233	22,597
Savings deposits	4,315	3,071	1,378	769	312
	162,428	120,389	85,033	60,781	48,035

15. Borrowings

This represents facilities granted by various financial institutions.

16. Accruals and other liabilities

	2008 GH¢'000	2007 GH¢'000	2006 GH¢'000	2005 GH¢'000	2004 GH¢'000
Creditors	3,061	3,413	1,906	679	1,256
Accruals	1,060	709	1,842	1,129	953
Other liabilities	1,978	6,586	3,260	2,563	2,649
	6,099	10,708	7,008	4,370	4,858

17. Statutory reserve fund

	2008 GH¢'000	2007 GH¢'000	2006 GH¢'000	2005 GH¢'000	2004 GH¢'000
Balance at 1st January	7,442	5,937	4,799	2,239	1,852
Prior year adjustment	-	-	-	1,160	-
Transfer from Income Surplus	1,995	1,505	1,138	1,401	387
Balance at 31st December	9,437	7,442	5,937	4,799	2,239

a) **Review of Historical Financial Performance**

The following discussions and analysis of CAL Bank's financial performance should be read in conjunction with the Bank's published financial statements for 2004, 2005, 2006, 2007 and 2008.

Revenue: CAL Bank has a track record of stable and strong earnings. During the year ended December 31, 2008 the Bank's operating income increased by 49% from GH¢ 23.1 million to GH¢ 34.6 million, largely due to significant increases in its on and off balance sheet loan portfolio. Net interest income continued to be the largest contributor to CAL Bank's revenues, accounting for 48% of total operating revenue. Fees and commissions have grown steadily over the years and in 2008 increased by 40%. Other operating income increased by 65% from GH¢ 7.2 million in 2007 to GH¢ 11.9 million in 2008. The increase in other income was largely due to an increase in gains on foreign exchange trading. Overall, the Bank reported GH¢ 9.07 million of net profit for 2008, representing an increase of almost 42% over 2007 levels and resulting in a return on average equity ("RoAE") and a return on average assets ("RoAA") of 27.07% and 3.17% respectively.

Operating Efficiency: Operating expenses increased by 52% from GH¢ 13.9 million in 2007 to GH¢ 21.2 million in 2008, resulting in an increase in the Bank's cost to income ratio from 60.30% to 61.28%. Approximately 69% of the increase in operating costs was attributable to an increase in staff expenses from GH¢ 6.5 million to GH¢ 11.4 million. The increase in staff expenses was partially due to the addition of new branches that were added to the branch network in 2008. Overall, the Bank's staff increased from 276 employees at year-end 2007 to 319 employees as at December 2008. The Bank's management expects to reduce its cost-to-income efficiency ratio as the Bank starts to realize greater benefits and cost synergies from its branch expansion.

Asset Structure: Since 2004, loans and advances to customers have consistently been the largest item on the Bank's balance sheet accounting for 56.3% of assets in 2008. The second largest asset item in its balance sheet as of December 2008 was amounts due from other banks, which are the Bank's deposits in other local financial institutions. This constituted 13.9% of total assets in 2008.

Asset Structure

Figures in GH¢ '000	2008	% of Total	2007	% of Total	2006	% of Total	2005	% of Total	2004	% of Total
Cash and balances with BoG	30,357	9.0%	18,565	7.9%	4,742	3.0%	8,358	8.6%	4,737	5.7%
Collection from Other Banks	2,852	0.8%	2,163	0.9%	-	0.0%	-	0.0%	-	0.0%
Government Securities	43,530	12.8%	34,285	14.5%	29,035	18.5%	19,293	19.9%	24,704	29.9%
Due from Banks	46,959	13.9%	47,754	20.3%	25,952	16.5%	19,467	20.0%	16,936	20.5%
Loans and Advances to Customers	190,938	56.3%	114,918	48.8%	85,680	54.6%	39,792	41.0%	30,132	36.5%
Investment in Other Securities	1,605	0.5%	2,320	1.0%	2,472	1.6%	3,788	3.9%	801	1.0%
Investment in Associated Companies	1,101	0.3%	814	0.3%	-	0.0%	-	0.0%	-	0.0%
Other Assets	5,717	1.7%	3,034	1.3%	1,858	1.2%	1,145	1.2%	1,396	1.7%
Current Tax Assets	966	0.3%	34	0.0%	50	0.0%	116	0.1%	10	0.0%
Property and Equipment	14,371	4.2%	11,704	5.0%	7,219	4.6%	5,170	5.3%	3,839	4.7%
Intangible Assets	506	0.1%	136	0.1%	-	0.0%	-	0.0%	-	0.0%
Total Assets	338,902	100.0%	235,727	100.0%	157,008	100.0%	97,129	100.0%	82,554	100.0%

Loan Portfolio: The Bank's loan portfolio has continued to grow while the level of non-performing loans ("NPLs") has remained under control. This is mainly due to CAL Bank's approach to relationship lending and to close monitoring of its client's through the Bank's risk management procedures. The total amount of NPLs amounted to 5.9% of gross loans as at December 31, 2008, down from 7.3% the previous year. CAL Bank has a strong credit culture embedded in its staff and management encourages its senior risk management officers to regularly attend credit training programs. All credit decisions are centralized and are approved by either the Management Credit Committee or in conjunction with the Board. As of December 31, 2008, the Bank had loans of about GH¢ 4.05 million due from its officers compared to GH¢ 2.75 million in 2007.

Liabilities / Funding: The Bank's liability structure suggests that it is dependent on customer deposits as a key source of funding. As of December 2008, the Bank's customer deposits accounted for about 48% of total liabilities and shareholders' equity, with borrowings and shareholders equity accounting for 34.1% and 11% respectively.

Liability Structure

Figures in GH¢ '000	2008	% of Total	2007	% of Total	2006	% of Total	2005	% of Total	2004	% of Total
Customer Deposits	162,428	47.9%	120,389	51.1%	85,033	54.2%	60,781	62.6%	48,035	58.2%
Due to Banks and Other Financial Institutions	14,232	4.2%	3,937	1.7%	2,882	1.8%	1,656	1.7%	5,509	6.7%
Borrowings	115,592	34.1%	67,306	28.6%	39,784	25.3%	11,635	12.0%	7,332	8.9%
Accruals and Other Liabilities	6,099	1.8%	10,708	4.5%	7,008	4.5%	4,370	4.5%	4,858	5.9%
Deferred Tax Liabilities	3,123	0.9%	2,280	1.0%	862	0.5%	345	0.4%	223	0.3%
Total Liabilities	301,474	89.0%	204,620	86.8%	135,569	86.3%	78,787	81.1%	65,957	79.9%
Shareholders' Equity										
Stated Capital	8,272	2.4%	8,008	3.4%	7,143	4.5%	7,143	7.4%	7,059	8.6%
Statutory Reserve Fund	9,437	2.8%	7,442	3.2%	5,937	3.8%	4,799	4.9%	2,239	2.7%
Capital Surplus	4,087	1.2%	3,890	1.7%	2,723	1.7%	3,137	3.2%	3,282	4.0%
Income surplus	12,849	3.8%	9,312	4.0%	5,636	3.6%	3,262	3.4%	4,018	4.9%
Other Reserves	2,783	0.8%	2,455	1.0%	-	0.0%	-	0.0%	-	0.0%
Total Shareholders' Equity	37,428	11.0%	31,107	13.2%	21,439	13.7%	18,341	18.9%	16,598	20.1%
Total Liabilities and Shareholders' Equity	338,902	100.0%	235,727	100.0%	157,008	100.0%	97,129	100.0%	82,554	100.0%

Customers Deposits: CAL Bank has been very successful in attracting new deposits to the Bank. Deposits including amounts due to other financial institutions increased by 42% from GH¢124 million in 2007 to GH¢177 million in 2008, against an industry average growth rate of 30% which underlines the Bank's good reputation and strong market position. CAL Bank's deposits are largely from individuals and companies, accounting for 90% of total customer deposits in 2008. Public sector deposits accounted for the other 10% of deposits in 2008, compared to 24% in 2007. Over half of its customer deposits are in the form of time deposits with average maturities ranging from 6 months to 1 year, with the rest coming from current accounts and savings deposits.

PART 4 – USE OF FUNDS AND BUSINESS OUTLOOK

This section seeks to update investors of the use of funds raised by the Bank during its IPO in 2004, the planned use of the GH¢30 million to be raised under this Offer and the strategic direction and outlook for CAL Bank.

4.1 Developments in CAL Bank's Business

A Dynamic and Evolving Banking Industry

The banking industry in Ghana has witnessed rapid transformation since the IPO of CAL Bank in 2004 (which was oversubscribed by 342%) with the Bank of Ghana at the forefront of this transformation. The banking industry has also seen the entry of several banks, increasing use of technology, development and marketing of innovative products and building of new branches with the objective of mobilizing deposits and making banking services accessible to clients. Bank of Ghana has enacted new laws and directed all banks to increase their stated capital to meet the financing requirements of Ghana's growing economy.

Exceeding Expectations

In anticipation of the changing environment, CAL Bank raised funds in a successful IPO in 2004 with the objective of building four (4) new branches¹¹, installing three (3) new ATMs and expanding the Head Office of the Bank¹². These objectives have been achieved and exceeded. CAL Bank now has thirteen (13) branches, and forty (40) ATMs. The Bank plans to increase the number of ATMs to fifty (50) by the end of 2009. Assets have tripled within the four years since its IPO from GH¢ 83 million to GH¢ 339 million as of December 2008. The IPO has enabled CAL Bank to expand its workforce, which now stands at 319 employees against 160 at the time of the IPO. In addition, investors have been well rewarded for their investment in CAL Bank. From the period of the IPO in November 2004 up to April 30th, 2009, GH¢ 6.9 million in dividends have been distributed.

Efficient use of the funds raised in 2004 in addition to internally generated funds has brought enormous benefits to all the stakeholders of CAL Bank. One of the most important benefits is the significant improvement in client service. CAL Bank now offers an array of innovative products and is now amongst the fastest growing banks by way of earnings, asset growth, shareholder funds and the size of its client base. The efforts of the Bank were recognised with awards at the recent Ghana Banking Awards in the following categories:

- ✓ Best Bank in Product Innovation 2008;
- ✓ Best Bank in Medium-term Loan Financing 2008;
- ✓ Best Bank in Retail Banking, 2008;
- ✓ First Runner Up in ICT and Electronic Banking 2008;
- ✓ Second Runner Up in Corporate Banking, 2008;
- ✓ Second Runner Up in Long-term Loan Finance; and
- ✓ Second Runner Up in Advisory Services.

¹¹ Source: CAL Bank IPO Prospectus

¹² CAL Bank Initial Public Offering Prospectus, 2nd September 2004.

Emerging Developments in the Bank's Competitive Space

The Board and Management undertook a strategic review of the industry and CAL Bank's operations at the beginning of 2008. They have noted with keen interest developments in the Banking sector and in the economy which present both exciting opportunities and challenges to all stakeholders in the industry. Some of the notable developments include the following:

- Bank of Ghana's directive to banks to increase their stated capital;
- Strong growth in the economy underpinned by improving macroeconomic fundamentals;
- Increasing private sector activity in the real estate, manufacturing and service sectors;
- Rising middle class, which has led to increased demand for consumer financing
- Increasing financial sector liberalization;
- Heightened interest of international banks in Ghana's vibrant banking sector; and
- The discovery of a major oil block, the Jubilee Field, which was the largest discovery in the world in 2007.

4.2 CAL Bank's Overall Strategic Objectives

CAL Bank's long-term objective in a dynamic and growing industry is to become the leading independent bank in Ghana. To achieve this, the Bank intends to leverage its strong and dedicated human capital and its Ghanaian heritage to mobilize and retain corporate and retail clients. With respect to retail, the Bank seeks to use its extensive and increasing branch network to mobilise customer deposits so as to reduce its cost of funding. To this end the bank expects to have twenty-five (25) branches across the country over the next two (2) years. From a corporate perspective, CAL Bank intends to diversify its sector expertise so as to be able to provide services to corporate clients of increasing size and from a much broader range of sectors including the oil and gas sector. In this regard, the Bank continues to identify key growth sectors in the economy so as to target its efforts to develop a strong base in those sectors. The Bank believes that it will achieve its objectives if it continues to leverage its strong human resources and first class technology platform to provide a superior service to its clients.

To this end, the Bank will continue to adopt key strategic initiatives such as:

- *The use of superior technology to deliver unrivalled quality services to its clients;*
- *Amplify the use of alternative delivery systems through the increase of branches and mini branches, the expansion of mobile banking platform and ATM network to increase the Bank's footprint across the market;*
- *Develop human capital capabilities through recruitment, training and development and aligning them with growth in key strategic areas of the Bank; and*
- *Engage in profitable acquisitions to accelerate the Bank's network growth and facilitate entry into new customer segments.*

The Bank however recognises the need for continued improvement so as to stay ahead of its key competitors. Funds raised from this and other rights issues will therefore be invested in these initiatives to ensure that the bank achieves its objective of being the leading independent bank in Ghana.

4.3 Expected Use of Funds

Based on the key strategic objectives outlined above, the Board of Directors intends to use the funds over the next 24 months to augment its working capital base and expand branch network to make the Bank more accessible to its growing list of clients. Some of the funding will also be applied to improve its systems and technological infrastructure and further expand the Bank's footprint in the industry. In summary, the current capital raising exercise is intended to further the process CAL Bank started in 2004 and ensure that CAL Bank remains a significant player in the Ghanaian financial services industry.

Working Capital

In view of the growth in the various sectors of the economy (real estate & mortgage, energy, manufacturing, telecommunication and commerce) and the impending financing requirements of the oil industry, the Bank requires a significant level of capital to meet these financing demands. As a result of strong market growth, the average size of a CAL Bank client loan request has doubled from GH¢ 5 million at the time of CAL Bank's IPO in 2004, to GH¢ 10 million today. With a net worth of GH¢ 34.4 million as at December 31, 2008, and a corresponding single obligor limit of GH¢ 9.4 million, CAL Bank cannot adequately support the current sizes of loan requests that it receives. Furthermore, CAL Bank expects the average size of loan requests to increase significantly in line with the continued growth in the overall economy and the developments in the oil industry and its related sectors.

The funds raised from the Rights Issue will significantly increase the Bank's single obligor limit and enable the Bank take advantage of the strong pipeline it has generated as a result of the larger and higher number of, funding requests from existing and prospective clients. The Bank has also witnessed tremendous growth in its retail loan portfolio, currently accounting for about 20% of its entire loan portfolio, which it intends to build upon cautiously with part of the funds raised through this rights issue.

Branch Expansion

CAL Bank began a major branch expansion programme after its listing in 2004. Currently, the Bank has 13 branches. The branches in operation are located at:

- Derby Avenue
- Graphic Road
- Independence Avenue
- Kumasi - Nhyiaeso
- Kumasi - Suame
- Spintex Road
- Kejetia
- Takoradi Harbour
- Takoradi Market Circle
- Tarkwa
- Tema Industrial Area
- Tema Fishing Harbour
- KNUST (TECH)

CAL Bank has to increase the spread of branches to make its services accessible. It has also become necessary for the Bank to position itself closer to its clients in major emerging business districts in major cities in Ghana. The Bank has set an ambitious strategy to increase the number of full service branches to 25 over the next two years.

These branches will be located at strategic sites to provide the Bank with the much needed presence in selected areas offering CAL Bank's full range of banking services, ATMs and money transfer services. The Bank intends to use the branch expansion strategy as a means of increasing retail deposits which

provide access to low cost funds as well as extending its footprint in areas where its corporate clients operate. This is expected to reduce cost of funds and improve return on shareholder funds.

Systems Upgrade and Development of Alternative Delivery Channels (ADC)

CAL Bank's strategy is to use technology to deliver quick, efficient and high quality services to its clients. In this regard, the Bank plans to:

- upgrade its current banking application, the Globus software platform, to enable it to better manage key functional areas, such as treasury, customer relationship management, risk management, and provide enhanced services, such as internet banking, to its clients;
- improve its management information systems to allow better information monitoring and flow in the Bank;
- improve its network technology, which includes upgrading its intra-bank communication platform to enhance and expedite information flow and security;
- develop various e-banking products such as VISA credit card and mobile banking that will improve customer acquisition and retention. The Bank has also begun to invest in the EZWICH project being carried out by the Bank of Ghana and intends to deepen its involvement in the project.; and
- further expand its service delivery channels by acquiring and deploying fifty (50) ATMs over the next twenty (24) months.

Summary

The table below shows the summarised use of funds:

Uses of Funds	Estimated Cost (GH¢, millions)
Working capital (new banking business)	22.9
New branches	3.5
Systems upgrade	1.5
Delivery channels	1.0
Rights Issue Expenses	1.1
Total Offer Proceeds	30.00

The Directors
CAL Bank Limited
23 Independence Avenue
P.O. Box 14596
Accra - Ghana

24 July 2009

Dear Directors,

Reporting Accountant's report on forecast and projected financial statements

We have examined the forecast and projected financial statements of CAL Bank Limited for the three years ending 31 December 2011, set out on Pages 59 to 62 of this report in accordance with the Listing Rules of the Ghana Stock Exchange (GES), The company's Code, Act 179 and the Securities and Exchange Commission Regulation 2003, (L.I.1728) applicable to the examination of prospective financial information. The directors are responsible for the forecast and projections, including the assumptions set out on pages 55 to 58 on which it is based.

The forecasts include results shown by unaudited interim financial statements for the 3 months to 31 March 2009.

The forecasts and projections have been prepared for inclusion in the circular for the Renounceable Rights Issue of the Bank. These forecasts and projections have been prepared using a set of assumptions that include hypothetical assumption about future events and management's actions that are not necessarily expected to occur. Consequently, readers are cautioned that these assumptions may not be appropriate for purposes other than described above.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the projections.

In our opinion the forecast financial statements, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors of the Bank, and are presented on a basis consistent with the accounting policies normally adopted by the Bank.

We do not express an opinion as to whether the actual results for the forecast period will approximate the forecast because events and circumstances do not frequently occur as expected, and those differences may be material.

Yours faithfully,



5.2 Assumptions

CAL BANK LIMITED

ASSUMPTIONS UNDERLYING THE FORECAST AND PROJECTION OF THE FINANCIALS 2009 – 2011

CAL Bank's corporate plan and financial projections have been developed on the premise that Government's monetary and fiscal policy will continue to be geared towards increased revenue generation, disciplined government spending and GDP growth. We present below the key assumptions underlying CAL Bank's financial projections for the planned period:

1 FORECAST INDICATORS

Forecast Indicators

	2009	2010	2011
Real GDP Growth	5.9%	6.1%	6.2%
Inflation Rate	15.3%	12.0%	11.0%
Depreciation GH¢ to US\$	28.8%	13.0%	9.0%
BoG Prime Rate	18.5%	16.5%	15.5%
91 Day Treasury Bill Rate	25.7%	22.0%	21.0%
CAL Bank's Base Rate	29.5%	27.5%	25.5%

1.1 Economic Growth

The Ghanaian economy is forecast to grow at not less than 5.9% in 2009 compared to 7.3% in 2008. Management expects GDP growth rates of 6.1% and 6.2% in 2010 and 2011 respectively.

1.2 Inflation Rate

Inflation rate, measured by year-on-year changes in the consumer price index, is expected to end the year 2009 at 15.3% and 2010 at 12.0%. Thereafter it is expected to decline by 100 basis points in 2011.

1.3 Depreciation of the Ghana Cedi

The cedi is expected to depreciate by 28.8% by December 2009 after which it is expected to depreciate by 13.0% in the 2010 and 9.0% in 2011 fiscal years.

1.4 Bank of Ghana (BoG) Prime Rate

The BoG prime rate is expected to peak at 18.5% by December 2009 and decline in line with expected declining inflation for 2010 and 2011. The prime rate is therefore expected to be 16.5% and 15.5% by year-end 2010 and 2011 respectively.

1.5 91 Day Treasury Bill Rate

The 91-day Treasury bill rate is expected to end the year 2009 at 25.7%. This will decline by 300 and 400 basis points in 2010 and 2011 respectively.

1.6 CAL Bank's Base Rate

CAL Bank's base rate is forecast to be 29.5%, 27.5% and 25.5% by the year-ends 2009, 2010 and 2011 respectively. This is seen to be competitive by the management of the Bank

CAL BANK LIMITED
ASSUMPTIONS UNDERLYING THE FORECAST AND PROJECTION OF THE FINANCIALS 2009 – 2011 – Continued

2 BALANCE SHEETS

Projected Percentage Growth Table:

Component	2009	2010	2011
Loans and Advances	33.0%	56.4%	30.5%
Government Securities	64.3%	-25.9%	28.0%
Capital Expenditure (Fixed Assets)	9.7%	30.0%	25.0%
Deposits	49.1%	38.8%	54.5%
Borrowing	-30.7%	56.7%	-34.6%

2.1 Loans and Advances

Management recognizes that interest rates on investments until recently were declining therefore loans and advances will be increased significantly. This will be achieved by increasing the number of branches supported by an increase in the marketing activities, so that income from the credit portfolio compensates for declining income on investments

2.2 Government Securities

The Bank has decided to increase its investment in long-dated securities to take advantage of the current high rates, especially when rates are expected to fall in the subsequent months and/or years. The projected growth in Government Securities is designed to take advantage of the higher rates in 2009.

2.3 Capital Expenditure (Fixed Assets)

Fixed Assets will increase significantly by 2009 following the implementation of the strategic plan. The acquisition of equipment to facilitate the systems and technology plan and branch expansion are the major drivers of growth in capital expenditure.

2.4 Deposits

In forecasting deposits, the following were considered:

- anticipated growth in economic activities,
- growth in broad money supply,
- growth of deposits of the banking industry and
- branch expansion to increase number of customers' accounts.

As the economy expands, CAL Bank anticipates an increase in demand for banking services. Moreover, the Bank anticipates increased usage of its services by existing customers because of the efficient systems, process and new products it will adopt following the implementation of its strategic plan. Based on these factors, total deposits have been projected to grow at 49.1%, 38.8% and 54.4% in 2009, 2010, and 2011 respectively.

2.5 Borrowing

Borrowing is expected to decrease by 30.7%, since some of the borrowed funds will mature in 2009. The expected increase in the Bank's equity will be used to fund long term loans. Borrowing is expected to increase in 2010 and thereafter decrease in 2011 by 34.6% as additional funds will be available to the Bank, as a result of the expected increase in deposits.

CAL BANK LIMITED
ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS, 2009 – 2011

3 INCOME STATEMENTS

Projected Percentage Growth Table

Component	2009	2010	2011
Interest Income	55.4%	31.7%	30.4%
Interest Expense	69.9%	14.6%	19.3%
Commission & Fee Income	40.7%	15.3%	20.1%
Other Income	29.4%	45.0%	44.7%
Operating Expenses	33.3%	43.1%	37.3%
Impairment Charges & Credit Provisions	49.0%	35.8%	50.9%

3.1 Interest Income

Interest income is forecast to grow by 55.4% in 2009, 31.7% in 2010 and 30.4% in 2011 as shown in the table above. This is in line with the expected increase in loan volumes.

The actual interest income at the end of the first quarter of 2009 is 21% of the projected amount. With the expected rise in interest rates and growth in the loan and advances portfolio from the third quarter, the remaining 79% can be generated by the end of the year.

3.2 Interest Expense

High interest expense growth of 69.9% is due to increase in deposits, borrowings and the deposit mix of the Bank. These are expected to change in 2010 and 2011 since the strategy, going forward, is to change the banks deposit mix with the opening of additional branches and the introduction of retail deposit products. The interest expense for 2009 is expected to rise by 69.9% due to the anticipated 36.3% increase in deposit. Subsequently, the increase in interest rates will be commensurate with the increase in deposits.

3.3 Commission & Fee Income

Fee and commission income is expected to grow mainly because of the growth in the bank's customer base. The increase in volume of credit portfolio and other facilities, such as guarantees, deferred letters of credits and performance bonds, will also impact positively on the commissions and fees.

3.4 Other Income

Healthy pipelines are available to guarantee the attainment of the projected other income. This will be driven mainly by charges on corporate finance and advisory services and proprietary trading revenue. This will continue to grow at an average of 44% for the periods 2010 and 2011.

3.5 Operating Expenses

It is anticipated that branch expansion and its antecedent increase in staff numbers will drive expense.

3.6 Impairment Charges & Credit Provisions

A key part of the Bank's strategic plan is the improvement in systems and processes. This is expected to facilitate relationship banking and improve risk management practices.

4 OTHER SIGNIFICANT ASSUMPTIONS

- a. The Bank of Ghana will maintain the primary reserve ratio of 9.0% over the projected period.
- b. CAL Bank will maintain a cash ratio of 2.0% of deposits over the projected period.
- c. Corporate tax will remain at 25.0% of profit before tax over the projected period.
- d. CAL Bank will maintain its dividend policy of up to 33% of profit after tax.

5.3 Consolidated Financial Projections

CAL BANK LIMITED
PROJECTED FINANCIAL STATEMENTS
CONSOLIDATED PROFIT AND LOSS ACCOUNTS FOR THE THREE YEARS TO 31ST DEC 2011
in thousands of Ghana Cedis

	Actual 31-Mar-2009	Projections		
		2009	2010	2011
Interest Income	12,544	59,216	77,975	101,655
Interest Expense	(9,411)	(36,831)	(42,191)	(50,352)
Net Interest Income	3,134	22,385	35,785	51,304
Fees and Commissions Income	1,255	8,705	10,033	12,047
Fees and Commissions Expense				
Net Fees and Commissions	1,255	8,705	10,033	12,047
Net Trading Income	3,074	13,900	20,155	29,225
Other Income	122	1,550	2,248	3,194
	3,196	15,450	22,403	32,418
Total Income	7,584	46,541	68,220	95,769
Impairment Charges and Credit Provisions	(324)	(3,256)	(4,420)	(6,669)
Net Operating Income	7,260	43,285	63,800	89,100
Staff Costs	(2,601)	(12,278)	(16,858)	(23,095)
Administration and General Expenses	(1,705)	(13,881)	(20,881)	(28,726)
Depreciation and Amortisation	(416)	(2,077)	(2,659)	(3,629)
Total Operating Expenses	(4,723)	(28,236)	(40,397)	(55,449)
Profit Before Income Tax	2,537	15,049	23,403	33,651
Income Tax	(634)	(4,097)	(5,851)	(8,413)
Profit Attributable to Equity Holders of the Bank	1,903	10,952	17,552	25,238
Basic Earnings Per Share (Ghana Cedis per share)	0.0099	0.0368	0.0587	0.0844
Diluted Earnings Per Share (Ghana Cedis per share)	0.0098	0.0367	0.0587	0.0844

CAL BANK LIMITED
FORECASTS AND PROJECTIONS
CONSOLIDATED BALANCE SHEET FOR THE THREE YEARS TO 31ST DECEMBER 2011
In thousands of Ghana Cedis

	Actual 31-Mar-2009	Projections		
		2009	2010	2011
Assets				
Cash and balances with Bank of Ghana	6,945	30,285	39,771	61,637
Items in Course of Collection from Other Banks	1,635	1,520	1,872	1,970
Investment in Government Securities	40,960	71,530	53,023	67,870
Due from Banks and Other Financial Institutions	63,224	28,875	35,575	37,434
Loans and Advances to Customers	195,191	254,795	398,589	520,385
Investment in Other Securities	1,483	1,190	2,165	3,356
Investment in Associated Company	1,035	1,212	1,394	1,463
Other Assets	8,846	9,733	11,680	13,432
Current Tax Assets	815	-	-	-
Property and Equipment	14,931	16,317	21,211	26,514
Total Assets	335,065	415,457	565,280	734,061
Liabilities				
Customer Deposits	183,156	242,107	336,006	519,202
Due to Banks and Other Financial Institutions	16,434	9,223	11,108	16,091
Borrowings	89,906	80,149	125,615	82,141
Accruals and Other Liabilities	2,895	4,083	990	8,789
Current Tax Liabilities	18	524	724	845
Deferred Tax Liabilities	3,124	3,592	4,527	4,980
Total Liabilities	295,533	339,677	478,969	632,048
Shareholders' Equity				
Stated Capital	8,298	48,872	48,872	48,872
Statutory Reserve Fund	9,913	12,175	16,563	22,873
Capital Surplus	4,087	5,783	5,783	5,928
Income surplus	12,359	8,011	17,561	27,243
Other Reserves	4,875	938	(2,468)	(2,903)
Total Shareholders' Equity	39,532	75,779	86,311	102,012
Total Liabilities and Shareholders' Equity	335,065	415,456	565,280	734,061

CAL BANK LIMITED
FORECASTS AND PROJECTIONS
CONSOLIDATED CASHFLOW STATEMENTS FOR THE THREE YEARS TO 31ST DECEMBER 2011
In thousands of Ghana Cedis

	Actual 31-Mar-2009	Projections		
		2009	2010	2011
Operating activities				
Profit before taxation	2,292	15,049	23,403	33,651
Adjustments for:				
Depreciation And Amortisation	452	2,077	2,659	3,629
Impairment on Financial Assets	324	3,256	4,420	6,669
Profit on Sale of Property and Equipment		2	3	2
Dividend Received	(4)	(50)	(73)	(105)
Share-Based Payment Expenses	182	1,075	-	-
Change in Fair Value of Investment Securities Recognised in Income Statement	234	(907)	184	568
Associated Company Profit	(4)	(215)	(285)	(302)
Provision for Loss in Value of Associated Company	-	(11)	(15)	(25)
Employee Benefit Expenses	46	223	201	158
Accretion of Deferred Income	27	(301)	(284)	(504)
Change in Investment Portfolio	2,659	(27,065)	17,870	(14,804)
Change in Loans and Advances to Customers	(4,711)	(70,339)	(152,592)	(134,057)
Change in Other Assets	(2,946)	(4,016)	(1,947)	(1,752)
Change in Customer Deposits	20,728	79,679	93,899	183,196
Change in Amounts Due to Banks and Other Financial Institutions	2,202	(5,009)	1,885	4,983
Change in Accruals and Other Liabilities	(3,241)	(1,155)	(2,459)	8,373
Income Tax Paid	(475)	(2,138)	(4,715)	(7,839)
Net cash flows from operating activities	17,765	(9,846)	(17,847)	81,840
Investing activities				
Purchase of Property and Equipment	(472)	(2,501)	(7,554)	(8,932)
Proceeds from Sale of Equipment	-	23	15	34
Disposal of Treasury Shares	-	680	-	145
Net cash used in investing activities	(472)	(1,798)	(7,539)	(8,753)
Financing activities				
Dividend Income	4	50	73	105
Dividend Paid	-	(2,452)	(3,614)	(5,896)
Net changes in borrowings	(25,686)	(35,443)	45,466	(43,474)
Proceeds from shares issued	26	30,000	-	-
Net cash used in financing activities	(25,656)	(7,845)	41,924	(49,265)
Net Change in Cash and Cash Equivalents	(8,363)	(19,488)	16,539	23,823
Analysis of Changes in Cash and Cash Equivalents for the Period				
Cash and Cash Equivalents at 1st January	80168	80,168	60,680	77,219
Net cash flow	(8,363)	(19,488)	16,539	23,823
Cash and Cash Equivalents at 31 December	71,805	60,680	77,219	101,041

CAL BANK LIMITED
PROJECTED FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE YEARS ENDED 31
DECEMBER 2011
in thousands of Ghana Cedis

	Stated Capital	Statutory Reserve	Capital Surplus	Income surplus	Other Reserves	Total
Opening Balance January 2009	8,272	9,437	4,087	12,849	2,783	37,428
Net profit After Tax	-	-	-	10,952	-	10,952
Share Options Exercised	68	-	-	-	-	68
New Share Issue	29,932	-	-	-	-	29,932
Transfer to/ From Reserves	10,600	2,738	-	(13,338)	-	-
Dividend Paid to Equity Holders	-	-	-	(2,452)	-	(2,452)
Revaluation of Property	-	-	1,016	-	-	1,016
Regulatory Credit Risk	-	-	-	-	(2,365)	(2,365)
Change in Fair Value of Investment	-	-	-	-	520	520
Change in shares held by subsidiaries	-	-	680	-	-	680
Closing Balance December 2009	48,872	12,175	5,783	8,011	938	75,779
Opening Balance January 2010	48,872	12,175	5,783	8,011	938	75,779
Net profit After Tax	-	-	-	17,552	-	17,552
New Share Issue	-	-	-	-	-	-
Transfer to/ From Reserves	-	4,388	-	(4,388)	-	-
Dividend Paid to Equity Holders	-	-	-	(3,614)	-	(3,614)
Regulatory Credit Risk	-	-	-	-	(3,744)	(3,744)
Change in Fair Value of Investment	-	-	-	-	338	338
Closing Balance December 2010	48,872	16,563	5,783	17,561	(2,468)	86,311
Opening Balance January 2011	48,872	16,563	5,783	17,561	(2,468)	86,311
Net profit After Tax	-	-	-	25,238	-	25,238
New Share Issue	-	-	-	-	-	-
Transfer to/ From Reserves	-	6,310	-	(9,661)	3,351	-
Dividend Paid to Equity Holders	-	-	-	(5,896)	-	(5,896)
Regulatory Credit Risk	-	-	-	-	(5,020)	(5,020)
Change in Fair Value of Investment	-	-	-	-	1,234	1,234
Change in shares held by subsidiaries	-	-	145	-	-	145
Closing Balance December 2011	48,872	22,873	5,928	27,243	(2,903)	102,013

The Directors
CAL Bank Limited
23 Independence Avenue
P.O. Box 14596
Accra - Ghana

24 July 2009

Dear Directors,

STATEMENT OF ADJUSTMENTS

Our review of the financial statements for the relevant periods did not reveal significant adjustments to warrant restatement of the profit and loss accounts and the balance sheets for the respective years.

The review was for the purpose of our Accountants' Report to be included in the circular relating to the Renounceable Rights Issue by CAL Bank Limited.

Yours faithfully,



PART 6 – OVERVIEW OF THE GHANA STOCK EXCHANGE

6.1 Overview of the Ghana Stock Exchange

The Ghana Stock Exchange (“GSE”) was incorporated as a company limited by guarantee in July 1989 with trading commencing on November 12, 1990. The bourse is governed by a 13 member committee representing the eighteen (18) Licensed Dealing Members, the thirty-five (35) listed companies, insurance companies, banks, money market institutions and the general public. The operations of the GSE are regulated by the Securities and Exchange Commission (“SEC”) which is empowered by the Securities Industry Law, PNDCL 333 of 1993 (later amended by the Securities Industry (Amendment) Act 2000, Act 590). Criteria for listing on the GSE include capital adequacy, profitability, spread of shares, years of existence and management efficiency.

6.2 Developments and Trends

The Ghana Stock Exchange started operating with 11 listed companies, the list increased to 26 listed stocks, 4 corporate bonds and 22 government bonds by 2002. As of May, 2009, the Exchange boasts of 35 listed equities, 2 corporate bonds and a number of Government securities.

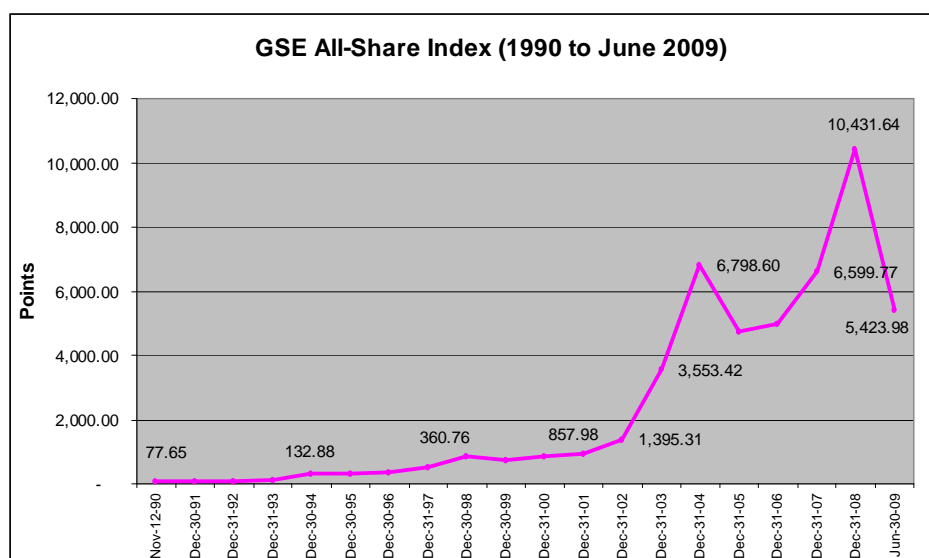
In 2007, the Central Securities Depository Act, 2007 (Act 733) was passed permitting the issue by a company of uncertificated or dematerialised shares where its shareholders and board of directors have authorised this. The GSE Securities Depository Company Limited has been established as a securities depository for listed equities and other instruments. The GSE also established a clearing house to ensure prompt settlement of trades.

The automation of the trading and settlement system has been introduced to replace the previous manual trading and settlement process of trading. This development requires investors to open accounts, known as securities depository accounts, with the GSE Securities Depository through which transactions will be settled.

6.3 Performance of the GSE

With the exception of 2005, the Ghana Stock Exchange has consistently posted positive returns in the last five years, recording its highest annual growth rate of 155% in 2003. The growth in the GSE All-Share Index continued in 2004 and was driven by four new listings, two rights issues and two bonus issues including the IPOs of CAL Bank and Benso Oil Palm Plantation which were oversubscribed by 342% and 144% respectively. The GSE All Share Index subsequently increased by 91% to 6,799 points in 2004 but dipped by 30% in the following year.

The bourse started recovering slowly in 2006 following the listings of Ecobank Transnational Incorporated, Ecobank Ghana, Ayrton Drugs and Transol which pushed the equities component of the market up by 22% resulting in a market capitalization of GH¢11 billion by the end of 2006. The market continued its recovery in 2007 with a 32% gain, driven by a rights issue for Ghana Commercial Bank in the first half of the year and three IPOs in the second half. Generally driven by strong operating results of listed companies, the impressive growth in the GSE All Share Index continued through 2008, with the GSE All-Share Index posting a 58.06% year-to-date gain. However, market prices at the beginning of 2009 which were not supported by strong fundamentals coupled with general profit-taking triggered a market correction. The chart below shows the performance of the Ghana Stock Exchange from inception to June 2009.



Source: Ghana Stock Exchange Official Lists

The table below shows the statistical summary of the GSE detailing its market activity, market capitalization among others as at December 31 2008.

	Dec-08	Dec-07	Dec-06	Dec-05	Dec-04	Dec-03
GSE All Share Index	10,431.6	6,599.8	5,006.0	4,769.0	6,798.6	3,553.4
GSE All Share (y-o-y)	58.06%	31.48%	4.97%	-29.85%	91.33%	154.67%
Market Capitalisation (GH¢ m)	17,844	12,370	11,250	9,186	9,761	1,262
Total Number of Listed Equities	35	34	33	29	30	26
Value Traded (GH¢ m)	380,170,327	140,710,000	47,599,000	46,436,000	65,590,000	38,930,000
Volume Traded	544,024,105	287,221,700	98,286,000	81,400,000	104,349,300	96,330,000
Average Daily Value	1,532,947	569,576	192,709	239,361	425,909	252,792
Average Daily Volume	2,193,646	1,162,841	397,919	419,588	677,593	625,519

Sources: GSE Factbook 2008, IC Securities Research

6.4 Outlook for the GSE: Key Drivers

Automation of GSE Trading and Settlement Systems: The automation of the GSE's trading, clearing and settlement systems should positively influence liquidity and the general performance of the market. The new platforms were launched in 2008/2009 and the expected benefits of transparent price discovery and improved settlement processes are being felt today. A review of the GSE's Rule Book is underway and the Exchange has begun a process that should end in demutualisation in the medium term.

Potential Listings: New and additional listings from the banking and insurance sectors especially, as operators work to meet new minimum capital requirements, is expected to bolster activity on the GSE during the last quarter of 2009 and first quarter of 2010.

PART 7 – ADDITIONAL TERMS AND INFORMATION ON THE OFFER

7.1 Application

A qualifying applicant to this Offer is either a qualifying CAL Bank shareholder or a qualifying non-CAL Bank shareholder interested in acquiring CAL Bank shares under the terms of this Offer.

Qualifying Shareholders

Qualifying shareholders are entitled to subscribe to one (1) new ordinary share for every 1.1275 ordinary shares registered in their name as at the close of business on September 21, 2009 under this Offer.

Enclosed with this Document is the Guide to Completing the Application Form, Letter of Allotment to Qualifying Shareholders and Application Form, which will be completed by qualifying shareholders. Qualifying shareholders may take any one of the following actions under this Offer:

- a) **Fully subscribe to their rights under this Offer:** This is where qualifying shareholders complete the Application Form and pay only for their entire allocation under this Offer, returning same to the receiving agents not later than 5 pm on October 23, 2009.

Qualifying shareholders exercising this option must complete Section A of the Application Form, in accordance with the instructions set out under the enclosed Guide to Completing the Application Form.

- b) **Fully subscribe for their rights AND apply for additional shares outside of what they are entitled to under the Offer:** In addition to 7.1a above, qualifying shareholders may apply to subscribe to additional shares (extra shares above what they are entitled to under this Offer) and pay for such additional shares, returning the duly completed Application Form and payment covering both their rights and additional shares applied for to the receiving agents not later than 5 pm October 23, 2009.

Qualifying shareholders choosing this option must complete Section A of the Application Form, in accordance with the instructions set out under the enclosed Guide to Completing the Application Form.

- c) **Partially subscribe to their rights only:** Qualifying shareholders may apply for only part of the shares they are entitled to under this Offer and return the duly completed Application Form together with payment to the receiving agents not later than 5 pm on October 23, 2009. Qualifying shareholders may take no further action on their remaining rights under the Offer and empower the Directors of the Bank to allot such unsubscribed portion of their rights as the Directors deem fit.

Qualifying shareholders must complete Sections A and B of the Application Form, in accordance with the instructions set out under the Guide to Completing the Application Form.

- d) **Partially subscribe to their rights under the Offer and renounce their unsubscribed rights in favour of qualifying third parties, who may or may not be shareholders of CAL Bank (Renouncees):** Qualifying shareholders may apply for only part of the shares they are entitled to under this Offer, renouncing the remainder of their rights in favour of qualifying third parties who now have to apply for and pay for those shares. The Application Form completed by both the qualifying shareholder and the Renouncee, together with payment for the shares must be returned to the Receiving Agents not later than 5 pm on October 23, 2009.

Qualifying shareholders choosing this option must complete Sections A and B, whilst each named Renouncee must complete a copy of Section C of the Application Form in accordance with the instructions set out under the Guide to Completing the Application Form.

Should qualifying shareholders desire to renounce the remainder of their rights in favour of more than one person, they should state the number of shares to be allotted to each Renouncee on a separate row in Section B of the Application Form. The completed Sections A, B and C of the Application Form together with payment for all shares applied for should then be lodged with the receiving agents not later than 5 pm on October 23, 2009.

- e) **Renounce all their rights in favour of qualifying third parties, who may or may not be shareholders of CAL Bank:** Qualifying shareholders may decide not to partake in the Offer and may renounce all their rights under this Offer in favour of qualifying Renouncees who may or may not be shareholders of CAL Bank. The Renouncees must complete and return the Application Form together with payment for the shares being applied for to the receiving agents not later than 5 pm on October 23, 2009.

Qualifying shareholders choosing this option must complete Sections A and B, whilst each named renouncee under Section B must complete a copy of Section C of the Application Form in accordance with the instructions set out under the Guide to Completing the Application Form.

Should qualifying shareholders want to renounce their rights in favour of more than one person, they should state the number of shares to be allotted to each Renouncee on a separate row in Section B of the Application Form.

- f) **Take no action:** Qualifying shareholders who choose not to apply for shares under this Offer, or who fail to make payment for the shares they have applied for under this Offer, or who fail to meet the deadline of 5 pm on October 23, 2009 for returning the Application Form and making payment to the receiving agents, may be deemed to have not taken any action under this Offer. Qualifying shareholders who take no action under these terms empower the Directors of the Bank to allot such unsubscribed rights as the Directors deem fit.

Other Applicants

If you are neither a qualifying shareholder nor a renouncee but wish to apply for shares under the Offer, you may complete Section D of the Application Form and return it, together with payment for the shares applied for to any of the receiving agents not later than 5 pm on October 23, 2009.

7.2 Offer to Purchase Shares

- a) As an applicant, you offer to subscribe to the number of shares indicated on your Application Form under the terms and conditions of this Offer and on the basis of the information set out in this Document and subject to the Regulations of CAL Bank.
- b) You agree that your application to acquire shares cannot be revoked after October 23, 2009 or such later date as the Directors and Advisors may agree, and promise that any cheque, banker's draft or money or postal order will be honoured on first presentation and that this paragraph constitutes an agreement between you and CAL Bank. It becomes binding when your application is posted, or in the case of delivery by hand, received by the Receiving Agents. However, the Bank will not be held liable if you use a wrong address in posting. You must pay all bank commissions, transfers and other bank charges related to your application.
- c) A thumb print on an Application Form will be accepted instead of a signature thereon only if it is duly certified in accordance with the Laws of Ghana.

- d) If your Application Form is not completed correctly or is amended, or if any cheque, banker's draft, money or postal order is found to be less than the amount stated on your Application Form, it may still be treated as valid. In such case, the Bank's decision as to whether to treat the application as valid, and how to construe, amend or complete it shall be final. You will not, however, be treated as having applied to purchase a number of shares which, when multiplied by the offer price, gives a value greater than the amount remitted.
- e) An application may be rejected in whole or in part at the discretion of the Advisors and Management of CAL Bank if the application is incomplete or illegible, or if it is determined that the applicant is not eligible to participate in this offer.

7.3 Acceptance of the Offer

- a) Acceptance of your offer will be made (if your application is received, valid, processed and not rejected) by notifying the SEC and GSE of the basis of allocation and by notifying acceptance to the Receiving Agents.
- b) Acceptance of your offer may be of the whole or any part thereof.
- c) If your application to purchase shares is accepted (in whole or in part), there will be a binding contract under which you will be required to purchase the shares in respect of which your application has been accepted.

7.4 Payment for Shares

- a) You undertake to pay the purchase price of the shares in respect of which your application is accepted. The cheque or banker's draft or other remittances may be presented for payment before acceptance of your application, but this will not constitute acceptance of your application, either in whole or in part.
- b) In the case of excess applications, if your application is invalid, rejected or not accepted in full, or if the amount of the application divided by the offer price does not result in a whole number of shares, the proceeds of the cheque or other remittances or the unused balance of those proceeds (as the case may be) will be refunded to you without interest.
- c) If the remittances are not honoured on first presentation, then at any time until the Bank has received cleared funds in respect of your application, the Advisors, on behalf of CAL Bank may terminate the agreement to purchase that share. The termination will be effected by notifying the Receiving Agent whom you submitted your application to.

7.5 Renunciation

- f) The right to subscribe to the Rights Issue shares may be renounced in whole or in part only by completing the Application Form in accordance with the instructions therein, or by taking no action.
- g) Qualifying shareholders who wish to purchase some of their Rights and to renounce the remainder in favour of a different person or persons, may complete Sections A and B of the Application Form in accordance with the instructions provided in the Guide to Completing the Application Form.

The Application Form must then be lodged with any of the Receiving Agents, together with payment for the shares to be received not later than 5 pm on October 23, 2009.

7.6 Procedure in Respect of Rights not Taken up or Renounced

If a properly completed Application Form and payment in full is not received by 5 pm October 23, 2009 the Rights will be deemed to have been declined by the shareholders. These shares will then be available to shareholders applying for extra shares and non-shareholders applying for shares under the Offer, and allotted by the Directors of CAL Bank as they deem fit.

7.7 Warranties

You warrant that:

- a) You are qualified to apply;
- b) The applicant on whose behalf you are applying is qualified to apply;
- c) You will submit a complete application including all supporting documents required under the terms of this offer;
- d) In making your application you are not relying on any information or representation concerning the Bank not contained in this document. You agree that no person responsible for this document or any part of it will have liability for any such other information or representation;
- e) If any person signing, or making a thumb print on the Application Form is not the applicant, that person warrants that he/she has authority to do so on behalf of the applicant and that this authority is vested in him or her;
- f) If the applicant is other than a natural person, the person signing the Application Form warrants that he/she has authority to do so on behalf of the applicant.

7.8 Supply and Disclosure of Information

The Bank, its Directors, Advisors and their agents shall have full access to all information relating to, or deriving from, the cheque or banker's draft or other remittance accompanying your application and its processing. If the Directors or their agents request any information about your application you must promptly disclose it to them.

The Bank, its Directors, Advisors and the Receiving Agents may request information from you in order to comply with their obligations under the Anti-Money Laundering Act, 2008 (Act 749) and the Anti-Money Laundering Regulations, 2008 (L.I. 1925).

7.9 Listing of New Ordinary Shares

The GSE has granted permission to list up to 455,000,000 new CAL Bank shares to be issued under the Rights Issue on the First Official List of the GSE, in addition to the existing 169,256,540 ordinary shares listed. It is expected that dealings in the additional shares will commence alongside the existing shares on the GSE by November 20, 2009.

7.10 Issue of Shares

Shares in respect of the new ordinary shares to be issued pursuant to the Rights Issue will be deposited into the applicant's securities depository account by November 18, 2009.

Letters of Entitlement will be issued to those shareholders who do not hold a securities depository account by November 18, 2009.

7.11 Exchange Controls

Exchange control is currently governed by the Foreign Exchange Act 2006, Act 723. This repeals the Exchange Control Act of 1961, Act 71. The new Act legalises payments in foreign currency to and from Ghana between residents and non-residents and between non-residents made through banks. Furthermore, under BoG Notice BG/GOV/SEC/2007/3 there are no restrictions on the purchase of capital market instruments by non-residents save as stated in 7.12 below.

7.12 Restrictions on Ownership in Banks

The Bank of Ghana has regulatory oversight of the banking industry with certain powers regarding the issue, sale or disposal of shares in a bank. In that regard, the following restrictions are imposed by the Banking Act, 2004 (Act 673) on the acquisition, sale and disposal of shares in a bank.

Under the terms of section 34 of the Banking Act, notification to and the prior approval of the Bank of Ghana is required for a direct or indirect acquisition and the sale or disposal of a "significant shareholding" in a bank. A "significant shareholding" is "a direct or indirect holding in a bank which represents 10% or more of the capital or of the voting right[s] or which makes it possible to exercise a significant influence over the management of a bank."

Act 673 allows the Bank of Ghana to take any of the following actions on a failure to obtain its prior approval:

- a) annul the transfer; or
- b) prohibit the issue of the shares; or
- c) prohibit the exercise of voting rights in respect of the shares; or
- d) prohibit the payment of dividends in respect of the shares.

7.13 Taxation

These include:

- a) **Withholding Tax on Dividend**
Under current Ghanaian tax law, all dividend payments are subject to a dividend withholding tax of 8%. No further tax is payable on dividends received.
- b) **Capital Gains**
The securities of a company listed on the GSE are currently exempt from capital gains tax in Ghana until 2010. No capital gains tax would therefore be payable on any realisation of capital gain from the sale of shares in CAL Bank up to November 2010.
- c) **Stamp Duty**
Under the Stamp Duty Act, 2005 (Act 689), a transfer of shares is exempt from stamp duty.

PART 8 – RECEIVING AGENTS’ CONTACT DETAILS

FOR ALL QUALIFYING APPLICANTS

NewWorld Renaissance Securities Limited

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CAL Brokers Limited

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CAL BANK BRANCHES

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TEMA HARBOUR AGENCY

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KUMASI SUAME BRANCH

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TAKORADI MARKET CIRCLE BRANCH

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TARKWA BRANCH

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DERBY AVENUE BRANCH

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SPINTEX ROAD BRANCH

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KNUST (TECH) BRANCH

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GRAPHIC ROAD BRANCH

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2	Sunyani Branch P.O. Box 34,Sunyani TEL:(061) 27324,27087,27255,27162,27157
3	Tamale Main Branch P.O. Box 228, Tamale TEL:(071) 22765,22455,22755,22999,22827
4	Bolgatanga Branch P.O. Box 12, Bolgatanga TEL:(072)-22445,23455,23462
5	Wa Branch P.O. Box 66,Wa TEL:(0756)-22025,22039
6	Koforidua Branch P.O. Box 286,Koforidua TEL:(0812)-3049,3059,3069,2258