

ECOBANK GHANA
ANNUAL REPORT | 2009



ECOBANK GHANA LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2009**

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NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (AGM) of Ecobank Ghana Limited will be held at the International Conference Centre, Castle Road, Ministries, Osu, Accra on **Friday, April 23, 2010** at 10.30 a.m. to transact the following business:

AGENDA

1. TO CONSIDER AND ADOPT the Statement of Accounts of the Company for the year ended the 31st day of December, 2009 together with the Reports of the Directors and Auditors thereon.
2. TO DECLARE a Dividend.
3. TO RATIFY the appointment of a Director
4. TO RE-ELECT Directors.
5. TO AUTHORISE the Directors to fix the remuneration of the Auditors.
6. TO FIX THE REMUNERATION of the Directors.

A MEMBER entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote in his/her/its stead. A Proxy need not be a Member of the Company. The appointment of a Proxy will not prevent a member from subsequently attending and voting at the Meeting in person.

A Proxy Form is on the last page which should be completed and deposited with the Registrars at Ghana Commercial Bank, Registrars Office, Thorpe Road, High Street, Accra not later than 3.00 p.m. on Thursday, 22nd April, 2010.

**DATED AT ACCRA, THIS 18th
DAY OF FEBRUARY, 2010.**

BY ORDER OF THE BOARD

signed
MORGAN FIANKO ASIEDU
(COMPANY SECRETARY).

CORPORATE INFORMATION

Board of Directors

Tei Mensa Mante (**Chairman**)
Samuel Ashitey Adjei (**Managing Director**)
Frances Adu-Mante (Mrs.)
Kofi Ansah
Mariam Gabala Dao (Mrs.)
Lionel Van Lare Dosoo
(**Appointed 18 Feb 2010**)
Albert Kobina Essien
Adegboyega Oladapo A. Ojora
Yves A. Coffi Quam-Dessou

Secretary

Morgan Fianko Asiedu
Ecobank Ghana Limited
19 Seventh Avenue
Ridge West
PMB GPO
Accra

Auditor

PricewaterhouseCoopers
Chartered Accountants
No. 12 Aviation Road
Una Home, 3rd Floor
PMB CT42
Cantonments
Accra

Registered Office

Ecobank Ghana Limited
19 Seventh Avenue
Ridge West
PMB GPO Accra

Registrar

Ghana Commercial Bank Limited
Thorpe Road
High Street
Accra

BOARD OF DIRECTORS PROFILE



Tei Mensa Mante Chairman

He is an Investment Banker with a 25 year career at the World Bank Group. During this period, he covered a variety of assignments including heading the International Finance Corporation operations in Africa and its worldwide agribusiness investments. He has also served on the Boards of many Financial Institutions including the Caribbean Financial Service Corporation, The African Emerging Markets Fund and the West African Growth Fund. He currently serves as an independent member of the Investment Committee of the Pan-African Investment Partners/Pan-Commonwealth African Partners. He holds a B.Sc. Admin from the University of Ghana and an MBA from Columbia University, US.



Samuel Ashitey Adjei Managing Director

Sam has been Managing Director of Ecobank Ghana Ltd since January 2006 and has recently been given additional responsibilities as Cluster head for countries within the West African Monetary Zone (WAMZ) region. Sam is a seasoned banker with over 19 years experience in the Ecobank Group. Various positions held prior to his appointment as the Managing Director include: Deputy Managing Director (DMD), Executive Director with oversight responsibility for the Corporate and Treasury Group of the Bank and Acting Managing Director of Ecobank Liberia. He holds a BSc in Statistics, and an MBA(Finance) from the University of Ghana, Legon.



Frances Adu-Mante Executive Director

Frances was appointed Managing Director of EB Accion, Savings and Loans Company Ltd, a subsidiary of Ecobank Ghana Ltd in May 2008. Prior to this appointment she was Director of Retail Banking in charge of developing the retail banking portfolio. This included Consumer, Private Banking and Small and Medium sized Enterprise finance as well as branch expansion. Frances has been with Ecobank Ghana since its inception and has occupied various senior positions including Head, Legal Department and Company Secretary. Frances is a Member of both the Ghana and International Bar Associations and holds an Executive MBA and LLB Degrees from the University of Ghana.



Kofi Ansah Non-Executive Director

An engineer by profession, Kofi currently works as a mining and energy consultant after a distinguished career in the public service. He holds a BSc Mechanical Engineering from the Kwame Nkrumah University of Science and Technology, Ghana and MSc Metallurgy from Georgia Institute of Technology, USA. He is currently a member of the boards of Goldfields International (South Africa), Goldfields Ghana Ltd, Abosso Goldfields Ltd, and Aluworks Ltd.



Mariam Gabala Dao Non-Executive Director

Mariam has over 20 years of diversified professional experience in development finance within both the private and public sectors in Cote D'ivoire. She is currently 'the Regional Representative for the Francophone Africa of the Ecumenical Development Co-operative Society (SCOD). She holds a Diploma (finance/accounting option) from the Higher Commercial School, Abidjan.



Lionel Van Lare Dosoo Non-Executive Director (Appointed 18th February 2010)

Lionel was a Deputy Governor of Bank of Ghana from 2000 to 2009. As Deputy Governor, he was a member of the Monetary Policy Committee. Other positions held during this period include Head of Planning, logistics and implementation Committee of the Ghana Cedi redenomination exercise (2007), Member and Representative of Bank of Ghana on the Revenue Agencies Governing Board (Chairman 2005 -2008), and Member of the Committee on the design and implementation of the e-zwich platform for all financial institutions.

Prior to his appointment as Deputy Governor, he worked with the Pacific Bank, Los Angeles, (Citi National Bank), where he was Vice President. Other institutions he worked for are Indosuez Bank, Los Angeles (Credit Agricole), Wells Fargo Bank (Los Angeles) and Chase Manhattan Bank.

Mr Dosoo holds a BSc from the New York University (Stern School).



Albert Kobina Essien Non-Executive Director

Albert is currently the Ecobank Group Executive Director for Corporate Bank. Until this appointment he was Regional Director in charge of the West African Monetary Zone (WAMZ), Eastern and Southern Africa. He joined Ecobank Ghana in 1990 and rose to become Managing Director in 2002. An Honorary Fellow of the chartered Institute of Bankers, Ghana, Albert holds a BA (Hons) in Economics from the University of Ghana and is an alumnus of INSEAD, France. He is a director of GCNET and a member of the Governing council of the Kwame Nkrumah University of Science and Technology.



Adegboyega Oladapo Adekunle Ojora Non-Executive Director

A business executive by profession, Adegboyega is currently the Chairman and Chief Executive Officer of Discoveries Resources Limited in Nigeria. He is also the Chief Operating Officer of Adekunle Ojora & Co, Chief Operating Officer of Ojora Group and Consultant of Evans Nigeria Book Publishers Ltd. He is also the Executive Director & Chief Operating Officer of Lagos Investment Ltd and Chief Operating Officer of Nigerlink Group. He holds B.L from King's College London (London University) and an LLB from the Nigerian Law School, Lagos, Nigeria. He also has an MPhil in International relations from the Magdalene College (Cambridge University).



Yves A. Coffi Quam-Dessou Non-Executive Substitute Director

Yves is currently the Managing Director of Ecobank Senegal. Prior to this appointment he was the Head of Wholesale Banking having worked with the Ecobank Group for over 20 years. Other positions held within the Ecobank Group include Managing Director of Ecobank Mali, Group Treasury and Correspondent Banking Head, and company Secretary of ETI. He holds a Bachelor's and Master's Degree in Economics both from the University of Paris IX-Dauphine



Morgan Fianko Asiedu Company Secretary

Morgan is the Company Secretary and Head of the Legal Department. He has been with Ecobank Ghana since 1992 and has held various positions including Head of Administration, Head Legal & Credit Admin Department and also served as the Chief Compliance Officer. Prior to joining Ecobank he worked as a private Legal practitioner. A member of both the Ghana Bar and the International Bar Association, Morgan holds a Bachelor's Degree in Law and Sociology and an Executive MBA degree from the University of Ghana.

HIGHLIGHTS

At 31 December	2009	2008
	GHS 000	GHS 000
Total assets	1,388,193	919,695
Total loans and advances (Net)	456,159	401,531
Total deposits	922,077	682,705
Shareholders' equity	206,902	85,360
Profit before tax	72,689	43,891
Profit after tax	53,853	33,579
Dividend per share(pesewas)	18	16
Earnings per share(pesewas)		
- Basic	26	16
- Diluted	26	16
Return on average equity	37%	45%
Return on average assets	4.7%	3.7%
Number of staff	841	714
Number of branches	52	44

BUSINESS REVIEW

Ecobank Ghana Limited (EGH) was incorporated on January 9, 1989 as a private limited liability company under the Companies Code to engage in the business of banking. EGH was initially licensed to operate as a merchant bank by the Bank of Ghana on November 10, 1989 and commenced business on February 19, 1990. However, following the introduction of Universal Banking by the Bank of Ghana in 2003, EGH, true to its form as a pacesetter, became the first bank to be granted the universal banking license from the Bank of Ghana.

The bank is a subsidiary of Ecobank Transnational Incorporated (ETI), a bank holding company which currently has thirty-one (31) subsidiaries across Middle Africa. The Ecobank Group is thus in more countries in Africa than any other bank, making it the leading regional banking group in Middle Africa.

EGH has grown consistently over the years to become one of the leading banks in Ghana and a well-recognised brand in the Ghanaian banking industry. EGH acquired a universal banking license in 2003 and got listed on the Ghana Stock Exchange (GSE) in July 2006. The Bank has embarked on a medium term strategic shift from a predominantly Wholesale Bank to a Retail Bank, and 2008 marked the third year of its strategic transformation.

The Bank's Mission & Vision

EGH's mission is to become a strategic part of a world-class African banking group. The bank's vision is to provide its customers convenient, accessible and reliable banking products and services.

In line with this EGH seeks to create a unique African institution characterised by a determined focus on customers, employees and shareholders and an absolute commitment to excellence in the financial services industry. The bank seeks to pursue this mission and uphold its values by applying the following principles to its business decisions and conduct:

- Treat each customer as a preferred customer
- Invest in training and development of its staff
- Deliver product and service quality which exceed customer expectations
- Develop markets and products in which it can reach and maintain competitive advantage

- Deliver appropriate returns to its shareholders
- Maintain high standards of ethics and compliance at all times

Retail Banking

In a market of increasingly keen competition, retail banking presents high potential for increasing our market share. The gradual but constant improvements in the sector make it particularly attractive for long term growth. Our good run is as a result of strategically positioning ourselves to take full advantage of the opportunities the retail market offers.

The retail bank comprises the SME, consumer and private banking units.

Our Goal

Our goal is to deliver reliable and accessible products and services to our target market to promote the bank's vision of being a world class pan-African bank.

Strategy

In 2009, retail bank focused on the following key areas;

- Growing Deposits, especially NIBs
- Growing Fee and Commission Income
- Creation of Good Quality Assets
- Enhancing Customer Loyalty

Small and Medium Scale Enterprises

SME bank focuses on commercial enterprises that fit its description with particular attention to their unique needs. The strategy of the SME bank has always been to respond with dynamic and unique solutions to our SME clientele, as we partner in our common aspirations of growth and profitability. In this vein, we devoted greater efforts to the following;

- Trade products,
- Receivables financing and
- Short term facilities.

The importance of the segment to our business is underscored by the strategic partnerships we have

BUSINESS REVIEW (CONTINUED)

entered into over the years in our quest to reach out meaningfully to SMEs. The SME bank will continue to constitute a main arm of our business as we begin the next decade with a renewed commitment to the sector.

Consumer and Private Banking

The consumer bank focuses on households and individuals. It is our policy to ensure that the banking experience of every client of ours is delightful enough to ensure they are retained. Products like the Junior saver (an account with lots of benefits designed especially to encourage children to save) and the special students' account constitute part of our strategy in ensuring sustainability of our growth drive in the long term. A program to radically improve service delivery, dubbed "Marshall Plan" was rolled out across selected branches and will continue this year. We will continue to set very high standards for ourselves so that we continue to exceed our customer's expectations.

Most of our branches now have dedicated and comfortable private banking lounges to ensure we deliver convenience, satisfaction and privacy to our private banking clients.

We will continue to leverage on the unique network of the Ecobank franchise and to grow our bank and products especially in the area of trade finance.

Retail Portfolio

Our pursuit of portfolio and profit growth revolves around prudent risk management to maintain optimum portfolio quality and minimize asset delinquency.

Deposit mobilization will remain a priority and is set to see vibrant activity in 2010.

Income

2010 should see specific focus on the increase of non-interest income to boost profitability, especially through continued collaboration between retail and transaction bank. This inter-unit synergy will ensure that product innovation continues to be shaped by market needs, resulting in relevant products that respond to and fulfill customers' expectations. It is a strategy that has proven effective and our goal is to deepen it in 2010.

Wholesale Bank

The current market, characterised by tough economic climates for governments and multinationals has reshaped thoughts on what is defined as low and high risk profile clients. Diversification of portfolios across and within industries has become critical. This awareness will continue to play a central role in our effort to expand market share and deepen client relationships.

Our Goal

In the light of the global economic meltdown, our goal was to retain existing clients and selectively acquire new ones with good fundamentals.

Our Strategy

To achieve our goal, our strategy was to meet the unique needs of diverse clients. At the heart of our strategy were two key areas of focus;

- Provide tailored financial solutions to meet specific needs of existing and potential clients
- Cross selling of innovative business solutions that create unique value for existing and potential clients.

Wholesale in 2010

Going forward, wholesale banking will become known as corporate banking with responsibility for managing the banking relationships of multinationals, regional corporates, international organizations, financial institutions and parastatals. As with wholesale banking, corporate banking will continue to focus on creating superior value for the bank's customers through the provision of financial and business solutions.

We will continue to make sure that our solutions are relevant to the unique needs of our clients, deepen existing relationships and pursue new leads.

BUSINESS REVIEW (CONTINUED)

Treasury And Investments

In a rapidly evolving financial world, where instrument and currency rates alike are tumbling, passive management of portfolios is guaranteed to generate sub-optimum returns. Ensuring that portfolio values do not diminish demands the exploration of new markets and niches. At Ecobank, we have moved ahead of the competition, engaging more actively with the local market and carving a strong identity for ourselves, guaranteeing that we continue to attract coveted clientele and deliver good returns on our investments.

Our Goal

To be the benchmark for active investment portfolio management, delivering healthy returns to the bank and world class services and support to clients.

Strategy

The strategy in 2009 was to significantly increase treasury income on the tripod of;

- Efficient balance sheet management
- Aggressive marketing and
- Excellent customer service.

In line with this the Financial Institutions unit was set up in 2009 to focus solely on effectively managing treasury client relationships.

Fixed Income Securities

The first half of 2009 saw increases in interest rates on government securities. We took advantage of this to increase our Treasury bill holdings. Almost all the holdings were held to maturity. The concentration of the portfolio was on the short end of the yield curve since the yield curve remained inverted for the most part of the year.

Equity Investments

Our investments in equity were not exempt from the general slump on the local bourse as it reeled from the ripples of the global slump in capital markets.

Hold or sell decisions on our equities are determined by the fundamentals of the equities and their ability to generate positive returns on investment in the long

term. Short term fluctuations in the prices of equity that are more of market reactions to systematic indicators than to changes in the fundamentals of equities should not be the basis of long term buy or hold decisions. Consequently, we neither added to nor reduced the size of our equity portfolio in 2009.

Currency

Our aggressive marketing efforts paid off leading to increased inflows in both local currency and foreign currency. For a significant part of the year we were net lenders on the interbank market and were able to place large amounts of both foreign currency and local currency. With our strategy of offering a competitive pricing, FX sale was vibrant. The trading desk also actively engaged in proprietary trading leading to increased trading income.

Treasury in 2010

In 2010 we will continue to focus on increasing treasury income through prudent balance sheet management and a strong focus on marketing. The key areas of focus will be:

- Strong participation in Oil sector through LCs
- Active fixed income trading
- Aggressive treasury sales
- Interest expense management
- Prudent management of equity portfolio

Active fixed income trading and continuously seeking out low cost, high return placements on the local and foreign markets culminated in an outstanding performance. In 2010, we hope to build on the same solid investments policies to continue to generate consistent returns.

Transaction Bank

The current business environment places a demand on institutions to offer outstanding e-solutions to customers, hence our determination to strengthen this arm of our business.

Our Goal

The main objective of the Transaction Bank Department is to provide reliable and convenient business solutions that are accessible, through all delivery channels namely

BUSINESS REVIEW (CONTINUED)

branches, alliances, ATMs, POSs, Internet, Mobile and Telephone banking, etc.

Strategy

The focus in 2009 was to bring convenience to our corporate customers by empowering them to initiate transactions from their premises through the Ecobank Corporate Internet Banking product. This was supported with an aggressive cash management solutions campaign to increase the bank's wallet size of corporate institutions.

At the retail end, we developed new branchless banking channels to enable customers' access banking services through their mobile phones.

As a result we deepened the marketing of our e-banking products (e-alert, e-statement Retail and Corporate internet banking) and were able to increase our customer utilization rate.

We partnered MTN as the lead bank to launch the first Mobile Money service in the country and made it possible for customers to transact business e.g. funds transfer through the Mobile Phone. The telecommunication industry has been able to make major inroads to the unbanked population. By leveraging on this partnership we will be able to provide essential banking services to both the banked and unbanked population countrywide. The transaction bank has been a strong locus for effective cross-selling for the business units of the bank.

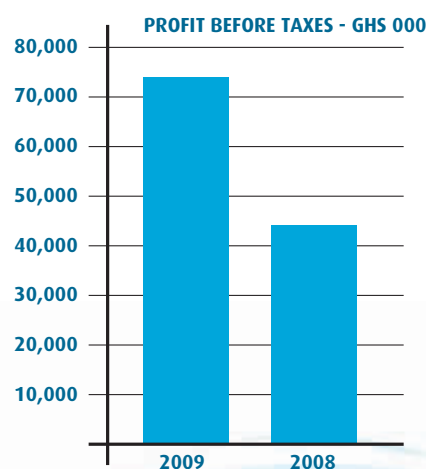
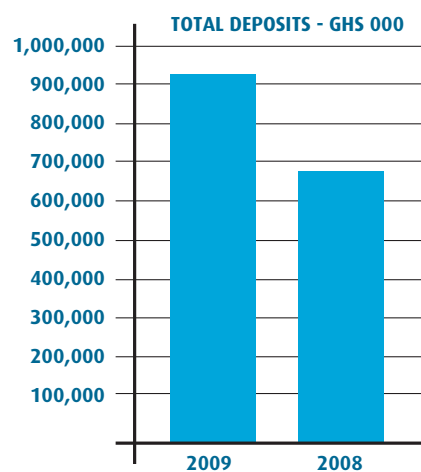
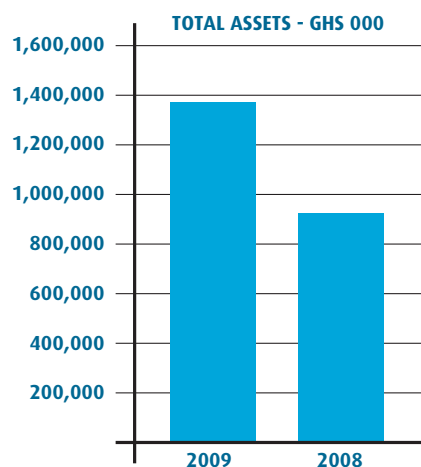
Transaction Bank in 2010

In the coming year we aim at positioning ourselves strategically to harness opportunities offered in the Mobile Money area to significantly boost the bank's deposit base.

We will continue to consolidate our position with our corporate clients by enhancing our Cash Management and Transaction Processing solutions in a manner that will address their specific needs.

Conclusion

The cumulative effect of the activities of these departments resulted in the significant growth in Total Assets, Deposits and Profits as depicted below;



The Bank made significant strides in 2009 and we are confident that 2010 will be an even better year for the Bank, customers, shareholders and staff.

CHAIRMAN'S ADDRESS

A solid past, a promising future



Tei Mensa Mante (Chairman)

Dear Shareholders,

I have the pleasure to welcome you to another Annual General meeting of Ecobank Ghana Limited and to present the Annual report and Accounts for the year ended December 31, 2009.

Before turning to our financial results however, let me highlight for you, the key features of the economic environment in which the Bank operated during the year.

The Environment

Globally, though the worst of the credit crisis appears to be behind us, real recovery has been sluggish in spite of wide ranging public stimuli programs in all the major economies. Unemployment in particular remains a very challenging problem for all.

In view of this, the central banks of most developed economies are still pursuing low interest rate policies, and LIBOR rates are below 1%. The central banks of emerging and developing economies are also cutting rates aggressively. Commodity prices, including Gold and Cocoa, generally rallied during 2009 with global demand clawing back as the recession recedes. The improvements in commodity prices helped most African economies recover from some of the adverse effects of the global financial crisis.

This marginal recovery in Africa is indicative of the experience of the Ghanaian economy in 2009. After a challenging first half, the cedi ended the year appreciating slightly against the US dollar. Inflation maintained its downward trend dropping from 20.5% in July to 15.9% in December. These developments enabled the MPC to lower the prime rate from 18.5% to 18% in November.

These events indicate that we still operate in an uncertain environment, and that our business model must continue to be anticipatory rather than responsive, in order to sustain our earnings capacity and operational efficiency in the long term.

Financial Performance Highlights

I am happy to report that in spite of these challenges, we continued our strong growth in profits; recording a 67% growth in profit before tax in cedi terms, in the face of stiff competition. This performance was driven by growth in our income streams, particularly interest income and Fees & Commission. Interest income increased by 81% from GH¢72.7Million to GH¢131.4 million, while Fees and Commission grew by 112% from GH¢ 20.8 million to GH¢ 44.2 million. This contrasts favorably with an increase in operating cost of only 35%. Indeed in dollar terms our operational costs declined by 1%. This resulted in a laudable contraction of our cost-income ratio (efficiency ratio) from 54% in 2008 to 48% as at the end of 2009. This ratio is about the lowest in the industry. This is a testament to the improvements in our return on assets and our cost cutting initiatives.

CHAIRMAN'S ADDRESS (CONTINUED)

Our total assets also grew impressively by 51%, enabling us to cross the GH¢ 1 billion mark. Asset-mix continues to be healthy, balancing liquidity and profitability. The quality of our loan assets continues to be high with a non-performing ratio of 3.2%.

Dividends

Given these results, the board has proposed a dividend of 18 Ghana pesewas per share, an increase from 16 Ghana pesewas per share. This 13% increase for shareholders is in addition to the Bonus issue that occurred in the year. The dividend payment will represent a payout ratio of 90% after transfers to regulatory and statutory reserves.

We have consistently remained amongst the highest performers in Return on equity in the financial industry, demonstrating the viability of our bank as a premier destination for investor funds.

Capital and Solvency

In the face of a shriveled capital market and increasing liquidity tensions, we were able to successfully raise our required additional capital.

After the hugely successful rights issue in October 2009, which was oversubscribed by about 7%, our capital adequacy ratio stands at 23%, an improvement of 16% over the previous year. This is more than double the minimum regulatory requirement of 10% and is a result of the high standards of capital management.

Let me take this opportunity to thank you all for your strong support as shareholders; and to welcome the new shareholders who have joined us.

Our Social Responsibility

Ecobank has amply demonstrated over the years that being socially responsible is as important as being profitable. We have a strong social responsibility philosophy anchored on our shared vision of a better Ghanaian society in the areas of Education, Health, Sports, Environment, among others.

In this regard, I am pleased to report that we continued to provide financial support to many worthwhile causes. In addition to our long list of already existing beneficiaries;

we added in the area of education- the College of Health Sciences, GES Model Nursery and Apam Secondary School. In the area of health; the Burns Unit of Korle-Bu teaching hospital and the Ghana Registered Nurses Association were the most prominent beneficiaries. We co-sponsored the Milo Marathon and donated to the Akuapem Community Foundation and the Chosen Vessels choir of the University of Ghana.

Acknowledgement

I wish to express my sincerest gratitude to our staff and management whose selfless devotion to Ecobank has driven the bank through the avenues of success we now share with you, our invaluable shareholders whose continuous investments fuel our initiatives and our esteemed clientele who give us a business to run. We appreciate your loyalty and advise they have been of immense help.

My utmost gratitude goes to God Almighty for seeing us through the year and for giving us the grace and knowledge to successfully manage our Bank.

Thank you and God Richly Bless us all.

MANAGING DIRECTOR'S STATEMENT



Samuel Ashitey Adjei (Managing Director)

Dear Shareholders,

It is my greatest pleasure to welcome you to today's annual meeting and to share with you the various activities that have culminated into a successful financial year for our institution.

In the face of increased competition and global financial crises, we remained resilient and delivered good returns on your investments.

The Domestic Economy

The local economy remained downbeat with tightly controlled public spending.

The management of fiscal policy produced an improvement of most indices over 2008.

Inflation

Even though commodity prices made good gains in 2009, except for the first quarter of the year, inflation has been on the decline during 2009, ending the year just below 16%, the lowest level since May 2008. This decline is attributed largely to the cutback on government expenditure and tighter monetary policies. Inflation is generally expected to continue its downward trend in 2010 as government continues its inflation targeting policies.

Interest Rates

With inflationary pressures easing, the central bank had inched down the prime rate by 50 basis points to 18% by close of year. Treasury bills witnessed a generally downward trend in 2009. The 91 day Treasury bill closed 2009 at 22.53% p.a. down from 24.7% p.a. at end of 2008 and is likely to decline further as the focus of the central bank remains inflation targeting.

Exchange Rates

The cedi declined against the major currencies throughout most of the first three quarters of 2009. Though the cedi stabilized in the fourth quarter and even scraped back some of its losses, by year end, it had depreciated against the dollar by about 15.38% and suffered a 23.91% loss against the pound. The robust performance of the cedi in the last quarter is attributed to fiscal discipline and improving commodity prices, especially Gold and Cocoa.

Real GDP growth

The real GDP growth rate of 4.5%, though modest, was to be expected considering that global demand was yet to return to normal levels and that the current GDP was sustained mainly by domestic demand.

MANAGING DIRECTOR'S STATEMENT (CONTINUED)

Banking Industry Overview

With a total of twenty six (26) banks in the country, the terrain continued to be highly competitive. At the policy level, the Central Bank continued with its inflation-targeting policy through prudent monetary policy measures to ensure price stability.

The deadline for the Bank of Ghana's new capital requirement of GHC60Million for bank's expired at the end of the year for foreign owned banks.

Ecobank Ghana successfully met this requirement with a Right issue in September 2009 which was oversubscribed by about 7%.

Financial Performance

For the period under review Profit before tax grew by 67% from GHC44.2 million to GHC72.7 million. Our Asset base also expanded by 51% to GHC1.38 billion from GHC919.6 million, an indication of our strength and capability to remain competitive in the industry.

Share price

Despite the bank's consistent profitability and growth prospects, the Ecobank share price was scathed by the exceptionally negative performance of stock markets globally. Even so, the share's fall in 2009 of about 36% was much less than the average performance of the GSE All Share Index, which posted a YTD change of negative 48.84% as at 31st December 2009.

As a result, Ecobank Ghana was the second largest bank on the GSE at the end of 2009 by market capitalization, second only to ETI, our majority shareholder.

I am convinced the market will recognize Ecobank for its significant capacity to generate recurring profits.

Lending

Net Loan Portfolio grew by about 14% of the total portfolio value from GHC 401.5Million to GHC456.1Million. Redoubled efforts at recovery of adversely classified loans have yielded positive results as nearly 25% of all classified credits were recovered by end of year, up from the 2008 index of 5.3%.

Cost Management

While revenues grew by more than 50%, the rise in total operating costs was modest at 35% as a result of effective cost management and the economies of scale accruing from a well planned expansion.

These efforts amongst others have culminated in a healthy cost income ratio of 48%, a reduction over the 2008 ratio of 54%.

Risk Management

The Risk Management Strategy is to build a well diversified, well managed risk portfolio in defined target markets to generate high return on capital

Ecobank's preparations towards full compliance with the Basel II framework for risk management are also far advanced.

Growth and Market Presence

Total assets grew by over 51% to GHC 1.38 billion from GHC 919.6 million in 2008.

Ecobank is even more accessible now with 9 new branches added in 2009, including the first branch in the Volta region at Aflao. This brings our total branch network to 52 branches countrywide.

We also rolled out 46 ATMs during the year (increasing the total number of ATMS to 109 by year end) in our incessant quest to deliver accessible convenience to our valued customers.

In the same drive to enhance our accessibility, our world class contact centre began its operations on the 17th of November 2009. Equipped with modern gadgetry; this centre will provide online customer services as well as a marketing support base. We intend to derive maximum benefit from the centre to give EGH a competitive edge and make us truly unique. In just about a year of its establishment the Contact Centre has made remarkable strides and has helped to bring our clients closer to us.

MANAGING DIRECTOR'S STATEMENT (CONTINUED)

Customer Service

In the new environment of very keen competition, higher levels of customer satisfaction are necessary to guarantee that we remain in business.

A number of programs were undertaken in 2009 to ensure that our customers continue to enjoy ever higher levels of service delivery. We embarked on several training programs for staff to improve on our customer service delivery.

Employee Related Issues

The immense contribution of our assiduous staff played a major role in our achievements.

Staff Training and development remained a priority over the period. An intensive "Marshall Plan" training programme aimed at equipping staff to deliver excellent customer service to all our cherished clients was organized for our branch staff.

We are committed to employing and retaining outstanding individuals. With our performance based compensation programmes as well as extensive training programmes, we will continue to have one of the best human resources in the industry

OUTLOOK FOR 2010

The banking industry will remain increasingly competitive, and we believe that market penetration will increase.

With strong leverage on our continental network and representative offices in key destinations of commerce, we are confident of outperforming our competition.

Ecobank remains a leading retail bank in Ghana with a penchant for innovation and excellent customer service. We look forward to a brighter future and we will be working together with our shareholders and other stakeholders to build a solid bank, delivering great returns on investments.

Acknowledgement

I take this opportunity to express our appreciation to our cherished customers for their continued support. We are grateful to our hardworking staff and management and extend our appreciation to all other stakeholders for their support including the Board of Directors, Our Regional Office and the Group Office.

Thank you.

REPORT OF THE DIRECTORS

The directors submit their report together with the audited consolidated financial statements for the year ended 31 December 2009.

Statement of Directors' Responsibilities

The directors are responsible for the preparation of consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and its subsidiaries and of the Income statement, statement of comprehensive income, cash flow statement and balance sheet for the year. In preparing these consolidated financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Financial Reporting Standards and with the requirements of the Companies Code, 1963 (Act 179), the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2008 (Act 738). Financial

Institutions (Non-Banking) Law 1993 (PNDCL 328).

The directors are responsible for ensuring that the Bank and its subsidiaries keep proper accounting records that disclose with reasonable accuracy at any time the financial position of the Bank and its subsidiaries. The directors are also responsible for safeguarding the assets of the Bank and its subsidiaries and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The Bank's principal activities comprise corporate banking, investment banking and retail banking.

It also operates the following subsidiaries:

Ecobank Investment Managers Limited	- management of investments
Ecobank Leasing Company Limited	- finance lease facilities
Ecobank Venture Capital Company Limited	- venture capital
EB Accion Savings & Loans Company Limited	- microfinance for small and medium scale enterprises

REPORT OF THE DIRECTORS (CONTINUED)

The results for the year are set out below:

	2009 GH¢'000	2008 GH¢'000
Profit after tax (attributable to equity holders)	54,720	34,085
to which is added balance on income surplus account brought forward of	41,619	23,496
	96,339	57,581
out of which is transferred to statutory reserve fund required by section 29 of the Banking Act, 2004,		
Act 673 as amended by the Banking amendment Act 2007 (Act 738) and the	(6,689)	(4,218)
Bonus share issue,	(4,100)	-
transfer from regulatory credit risk reserve,	65	1,640
prior year's dividend paid for prior year, and	(26,574)	(13,384)
leaving a balance to be carried forward	59,041	41,619

Dividend

The directors recommend the payment of a dividend of 18 Ghana pesewas per share (2008: 16 Ghana pesewas per share).

Parent company

The Bank is a subsidiary of Ecobank Transnational Incorporated (ETI), a company incorporated in the Republic of Togo. The ultimate company, ETI, owns 87.8% of the issued ordinary shares of the Bank.

Auditor

In accordance with Section 134(5) of the Companies Code, 1963 (Act 179), PricewaterhouseCoopers will continue in office as auditor of the Bank.

BY ORDER OF THE BOARD

signed
Tei Mensa Mante
Director

signed
Samuel Ashitey Adjei
Director

Date:
18th February 2010

CORPORATE GOVERNANCE

Commitment to Corporate Governance

As a member of the Ecobank Group, Ecobank Ghana and its subsidiaries operate according to the Ecobank Transnational Incorporated (ETI) Group principles and practices on corporate governance. These principles and practices are guided by the Basel Committee standards on corporate governance which constitutes the best of international practice in this area.

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

- (i) good corporate governance enhances shareholder value;
- (ii) the respective roles of shareholders, Boards of Directors and management in the governance architecture should be clearly defined; and
- (iii) the Boards of Directors should have majority membership of Independent directors, defined broadly as directors who are not employed by the Group or company, or who are not affiliated with organizations with significant financial dealings with the Group.

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

The Board of Directors

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

As of 31 December 2009 the Board of Directors of Ecobank Ghana consisted of seven members made up of an Independent Non-Executive Chairman, four (4)

Non-Executive Directors, three (3) of whom are independent, and two (2) Executive Directors. In addition there is a Substitute Director for one of the non-executive directors. The board members have wide experience and in-depth knowledge in management, industry, financial and capital markets which enable them make informed decisions and valuable contribution to the Group's progress. The Board met six times during the year.

The Board has delegated various aspects of its work to the Governance, Human Resources, Audit and Compliance, Risk Management and the Building committees:

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

Governance Committee

This Committee is chaired by Mr. Tei Mante (the independent non-executive Board Chairman) and has as its members Mr. Kofi Ansah, Mr. Albert Essien, Mrs. Frances Adu-Mante and Mr. Samuel Ashitey Adjei. The Committee met twice in 2009.

The role of the committee include:

Governance

- Handling relationship with regulators and third parties;
- Handling relationships with shareholders;
- Evaluating periodically the Board and its Committees;
- Reviewing all issues relating to good governance;
- Reviewing and recommend the appointment of directors and their remuneration.

CORPORATE GOVERNANCE (CONTINUED)

Human Resource Committee

- Review the organisational structure of the bank in line with the standard Group structure.
- Review criteria (in line with Group policies) for recruitment of staff.
- Review human resources management policy (in line with Group Human Resources policies).
- Review and recommend the employment of management for approval for full Board and evaluate their performance.
- Recommend disciplinary actions against erring management staff.
- Recommend promotions of management staff
- Recommend appropriate levels of remuneration and structure of packages for staff
- Review the succession plan for key positions.
- Any other responsibilities as may be assigned by the Board.

Audit and Compliance Committee

The Audit and Compliance committee has as its chairperson Mrs. Mariam Gabala Dao, an independent non-executive Director and includes all other non-executive members of the Board. The Managing Director and a representative of the external auditors sit in attendance. The Committee met five times in the year 2009.

The role of the committee include:

- Review of internal audit function and mandate audit activities;
- Review of internal and external audit reports, particularly reports of regulatory and monetary authorities and supervise the implementation of their recommendations;

- Facilitate dialogue between auditors and management regarding outcomes of audit activities;
- Propose external auditors and their remuneration;
- Work with external auditor to finalise annual financial statements before full board approval;
- Review the Dividend Policy and issues relating to the constitution of reserves;
- Review the quarterly, half-yearly and annual financial results before the Board's review and approval;
- Set up procedures for selecting suppliers, consultants and other service providers and ensure their compliance by Management;
- Organise periodic discussions with the Departments of Internal Audit and Financial Control;
- Define appropriate measures to safeguard the assets of the Company;
- Ensure compliance with all applicable laws and regulations and operating standards;
- Review, approve and follow up major contracts, procurement and capital expenditure;
- Review actual spending against budget and
- Review and approve proposals for extra-budgetary spending.

Risk Management Committee

This committee has as its Chairman Mr. Tei Mante, the independent and non-executive Board Chairman. Other members are Mr. Kofi Ansah, Mr. Albert Essien and the Managing Director. The committee met five times in the year to review reports from the risk manager.

CORPORATE GOVERNANCE (CONTINUED)

The role of the committee include:

- Approve all credits within limits defined in Group Credit Policy, and within the statutory requirements set by the respective regulatory and supervisory authority;
- Review and endorse credits approved by the executive management;
- Review and recommend to the full Board credit policy changes initiated by executive management;
- Ensure compliance with the bank's credit policies and statutory requirements prescribed by the regulatory and supervisory authorities;
- Review periodic credit portfolio reports and assess portfolio performance;
- Approve exceptions, write-offs and discounts of non-performing credit facilities;
- Review audit reports with respect to compliance with and implementation of Risk Management Policy and
- Review all other risks including technology, market, insurance, reputation and regulations.

Building Committee

The Board also has an ad-hoc Building Committee which supervises the management of new building projects. This committee is chaired by Mr. Kofi Ansah an independent, non-executive Board Member. Other members are Mr. Samuel Adjei and Mrs. Frances Adu-Mante. The committee met two times during the year.

Business Continuity Plan

The Group has a business continuity and disaster recovery plan for its Head Office and branches that will enable it to respond to any unplanned significant interruption to its operations. It provides guidelines to fully recover operations and ensure coordinated processes of restoring systems, data, and infrastructure to enable essential client needs to be met until normal operations are resumed. The plan is tested at least three times every year to assess the readiness of the bank to respond to unplanned interruptions of its operations.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF ECOBANK GHANA LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Ecobank Ghana Limited (the Bank) and its subsidiaries (together, the Group) set out on pages 24 to 73. These financial statements comprise the consolidated balance sheet as at 31 December 2009, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended together with the balance sheet of the Bank as at 31 December 2009 and the income statement, cash flow statement and statement of changes in equity of the Bank for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2008 (Act 738). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF ECOBANK GHANA LIMITED (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Ecobank Ghana Limited as at 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2008 (Act 738).

Report On Other Legal Requirements

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

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

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

- i) we were able to obtain all the information and explanations required for the efficient performance of our duties as auditors;
- ii) in our opinion, the accounts give a true and fair view of the state of the Bank's affairs and its results for the year under review; and
- iii) in our opinion, the bank's transactions were within its powers.



Chartered Accountants
Accra



CONSOLIDATED INCOME STATEMENT

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

Year ended 31 December			
	Note	2009	2008
Interest income	5	131,379	72,754
Interest expense	6	(48,922)	(26,605)
Net interest income		82,457	46,149
Fee and commission income	7	44,204	20,878
Fee and commission expense	8	(2,052)	(1,107)
Net fees and commission		42,152	19,771
Lease income	9	5,066	4,310
Net trading income	10	28,148	35,309
Dividend income	11	448	613
Other operating income	12	1,617	1,037
Total income		159,888	107,189
Impairment charge on loans and advances	13	(9,518)	(5,793)
Operating expenses	14	(77,681)	(57,505)
Profit before income tax		72,689	43,891
Income tax expenses	15	(17,195)	(10,312)
National stabilisation Levy	18	(1,641)	-
Profit for the year		53,853	33,579
Attributable to:			
Equity holders of the parent entity		54,720	34,085
Non controlling interest		(867)	(506)
		53,853	33,579
Earnings per share for profit attributable to the equity shareholders of the parent entity during the year (expressed in Ghana pesewas per share).			
Earnings per share			
Basic		26	16
Diluted		26	16

The notes on pages 30 to 73 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

Year ended 31 December 2009

	Note	2009	2008
Profit for the year		53,853	33,579
Other comprehensive income:			
Available-for-sale investments securities			
Fair value gains/(losses) on available for sale investment securities		382	(9)
Gains on revaluation of buildings		14,315	-
Income tax relating to components of other comprehensive income	17	(801)	2
Other comprehensive income for the year, net of tax		13,896	(7)
Total comprehensive income for the year		67,749	33,572
Total comprehensive income attributable to:			
Equity holders of the parent company		68,616	34,088
Non controlling interest		(867)	(506)
		67,749	33,572

The notes on pages 30 to 73 are an integral part of these financial statements

CONSOLIDATED BALANCE SHEET

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

		At 31 December	
	Note	2009	2008
Assets			
Cash and balances with Bank of Ghana	20	104,162	69,797
Government securities	21	268,534	89,679
Loans and advances to banks	22	442,806	232,609
Trading assets	23	2,540	5,092
Loans and advances to customers	24	456,159	401,531
Investment securities: available-for-sale	25	24,363	35,182
Investment in subsidiaries		-	-
Intangible assets	26	3,630	2,190
Property and equipment	27	44,015	24,381
Deferred income tax asset	16	1,319	918
Other assets	28	40,665	58,316
Total assets		1,388,193	919,695
Liabilities			
Deposits from banks	29	90,127	14,261
Customer deposits	30	922,077	682,705
Other liabilities	31	84,703	71,868
Current income tax	15	1,147	557
Deferred income tax liabilities	16	2,227	3,784
Borrowings	32	82,499	61,782
Total liabilities		1,182,780	834,957
Equity			
Stated capital	33	100,000	16,400
Income surplus account	34	59,041	41,619
Revaluation reserves	35	15,491	1,595
Statutory reserve fund	36	29,654	22,965
Regulatory credit risk reserve	37	2,716	2,781
Capital and equity attributable to parent equity's equity holders		206,902	85,360
Non-controlling interest		(1,489)	(622)
Total equity		205,413	84,738
Total liabilities and equity		1,388,193	919,695

The consolidated financial statements on pages 24 to 73 were approved by the Board of Directors on 18th February 2010 and signed on its behalf by:

signed
Tei Mensa Mante
Director

signed
Samuel Ashitey Adjei
Director

The notes on pages 30 to 73 are an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

	Note	2009	2008
Cash flows from operating activities			
Interest paid		(42,681)	(26,606)
Interest received		125,710	72,205
Net fees and commissions receipts		42,152	19,254
Other income received		1,617	1,037
Dividend received		448	614
Net trading income		23,354	29,993
Lease income		4,662	4,310
Payments to employees and suppliers		(69,730)	(53,389)
Tax paid		(19,360)	(11,903)
Cashflow from operating activities before changes in operating assets and liabilities		66,172	35,515
Changes in operating assets and liabilities			
Loans and advances		(54,628)	(118,631)
Other assets		17,651	(22,470)
Investment securities		(10,819)	(29,378)
Customer deposits		239,372	244,754
Other liabilities		(14,604)	57,328
Mandatory reserve requirement		(24,329)	(5,041)
Net cash generated from operating activities		152,643	126,562
Cash flow from investing activities			
Purchase of property and equipment	27	(11,418)	(13,147)
Purchase of software	26	(2,870)	(2,351)
Proceeds from sale of equipment		161	19
Purchase of Government securities		(59,180)	3,211
Net cash used in investing activities		(73,307)	(12,268)
Cash flow from financing activities			
Dividends paid		(26,574)	(13,384)
Proceeds from rights issue		79,500	-
Repayment of borrowed funds		(9,578)	
Proceeds from borrowed funds	32	21,135	6,122
Net cash generated/(used in) from financing activities		64,483	(7,262)
Net increase in cash and cash equivalents		209,991	144,236
Cash and cash equivalents at beginning of year	38	310,377	166,141
Cash and cash equivalents at the end of the year	38	520,368	310,377

The notes on pages 30 to 73 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

	Attributable to equity holders of the Bank						
	Stated Capital	Income surplus account	Revaluation Reserves	Statutory reserve fund	Regulatory credit risk reserve	Non Controlling interest	Total
Balance at 1 January 2008	16,400	23,496	1,602	18,747	4,421	-	64,666
Net change in available for sale investments, net of tax	-	-	(7)	-	-	-	(7)
Profit for the year	-	34,085	-	-	-	(506)	33,579
Total comprehensive income	-	34,085	(7)	-	-	(506)	33,572
Dividend relating to 2007	-	(13,384)	-	-	-	-	(13,384)
Transfer to statutory banking reserves	-	(4,218)	-	4,218	-	-	-
Transfer from regulatory credit risk reserve	-	1,640	-	-	(1,640)	-	-
Pre-consolidation reserves of subsidiary	-	-	-	-	-	(116)	(116)
Balance at 31 December 2008 /1 January 2009	16,400	41,619	1,595	22,965	2,781	(622)	84,738
Gain on revaluation of buildings, net of tax	-	-	13,599	-	-	-	13,599
Net change in available for sale investments, net of tax	-	-	297	-	-	-	297
Profit for the year	-	54,720	-	-	-	(867)	53,853
Total comprehensive income	-	54,720	13,896	-	-	(867)	67,749
Dividend relating to 2008	-	(26,574)	-	-	-	-	(26,574)
Transfer to statutory banking reserves	-	(6,689)	-	6,689	-	-	-
Transfer from regulatory credit risk reserve	-	65	-	-	(65)	-	-
Proceeds from Shares Issued	79,500	-	-	-	-	-	79,500
Transfer to stated capital	4,100	(4,100)	-	-	-	-	-
Balance at 31 December 2009	100,000	59,041	15,491	29,654	2,716	(1,489)	205,413

The notes on pages 30 to 73 are an integral part of these financial statements

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

1. General information

The Bank and its Subsidiaries together the "Group" provide retail, corporate banking, investment banking and other financial services in Ghana. Ecobank Transnational Incorporated (ETI), the parent company of Ecobank Ghana Limited holds 87.8% of the issued ordinary shares.

The Bank is a limited liability company and is incorporated and domiciled in Ghana. The address of its registered office is as follows: Ecobank Ghana Limited, 19 Seventh Avenue, Ridge West PMB GPO, Accra.

The Bank is listed on the Ghana Stock exchange. The consolidated financial statement for the year ended 31 December have been approved for issue by the Board of Directors on the 18th February 2010.

2. Summary of significant accounting policies

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

2.1 Basis of presentation

The Group's consolidated financial statements have been prepared in accordance with International Financial

Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of land and buildings, available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss.

The consolidated financial statements comprise the consolidated income statement and statement of comprehensive income showing as two statements, balance sheet, the statement of changes in equity, the statement of cashflow and the notes. The financial statement of the bank standing alone comprise the income statement, statement of other comprehensive income, statement of changes in equity and statement of cashflow.

The consolidated financial statements are presented in cedis, which is the Group's presentational currency. The figures shown in the consolidated financial statements are stated in thousands of cedis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Standards, amendments and interpretations effective on or after 1 January 2009

The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Bank:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 7	Improving disclosures about financial instruments	1 January 2009
IAS 1	Presentation of financial statements	1 January 2009

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

The directors have assessed the relevance of the new standard and interpretations, and amendments to existing standards with respect to the Bank's operations and concluded that they will not have any impact on the Bank's financial statements, other than for the amendments to IAS 1 - Presentation of Financial Statements and IFRS 7, Financial statement disclosures, which will require non-owner changes in equity to be presented in a 'Comprehensive Statement of Income'. IFRS 7 require disclosure of fair value measurement by level or fair value measurement hierarchy

Amendment to IFRS 7, 'Financial instruments: Disclosures'

The IASB published an amendment to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy and separate liquidity risk disclosure for derivative financial instruments. The adoption of the amendment results in additional disclosures but does not have an impact on the balance sheet or the income statement of the Bank.

IAS 1 (revised), 'Presentation of financial statements'

A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Bank presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the income statement. Where necessary comparative information has been re-presented so that it also conforms with the revised standard. According to the amendment, each component of equity, including each item of other comprehensive income, should be reconciled between the carrying amount at the beginning and at the end of the period. Since the change in accounting policy only impacts presentation aspects, there is no impact on income surplus.

The following standards, amendments and interpretations became effective in 2009, but were not relevant for the Bank's operations:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 15	Agreements for the construction of real estate	1 January 2009
IFRIC 16	Hedges of a net investment in a foreign operation	1 October 2008
IAS 23(Amendment)	Borrowing costs	1 January 2009
IAS 32 and IAS 1	Puttable financial instruments and obligations arising on liquidation	1 January 2009
IFRS 2	Share based payment – vesting conditions and cancellation	1 January 2009
IFRS 8a	Operating segments	1 January 2009

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

IFRIC 13, 'Customer loyalty programmes'

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement. The consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Bank's operations because the Bank does not operate any loyalty programmes.

IFRIC 15 'Agreements for the construction of real estate'

The interpretation clarifies whether IAS 18, 'Revenue', or IAS 11, 'Construction contracts', should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not relevant to the Bank's operations as revenue transactions are accounted for under IAS 18 and not IAS 11.

IFRIC 16, 'Hedges of a net investment in a foreign operation'

This interpretation clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Bank. This interpretation does not impact the Bank's financial statements because the Bank does not have a net investment in a foreign operation.

IAS 23, 'Borrowing costs'

A revised version of IAS 23 was issued in March 2007. It eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use. The application of the IAS 23 amendment does not impact the Bank financial statements because the Bank does not borrow to finance assets that require a substantial period of time to get ready for their intended use.

IAS 32 and IAS 1, 'Puttable financial instruments and obligations arising on liquidation'

The IASB amended IAS 32 in February 2008. It now requires some financial instruments that meet the definition of a financial liability to be classified as equity. Puttable financial instruments that represent a residual interest in the net assets of the entity are now classified as equity provided that specified conditions are met. Similar to those requirements is the exception to the definition of a financial liability for instruments that entitle the holder to a pro rata share of the net assets of an entity only on liquidation. The adoption of the IAS 32 amendment does not have any effect on the Bank.

IFRS 2, 'Share-based payment' – Vesting conditions and cancellations

The IASB published an amendment to IFRS 2, 'Share-based payment', in January 2008. The changes pertain mainly to the definition of vesting conditions and the regulations for the cancellation of a plan. These changes clarify that vesting conditions are solely service and performance conditions. As a result of the amended definition of vesting conditions, non-vesting conditions should now be considered when estimating the fair value of the equity instrument granted. In addition, the standard describes the posting type if the vesting conditions and non-vesting conditions are not fulfilled. There is no impact on the financial statements because the Bank does not have a share based payment scheme.

IFRS 8, 'Operating segments'

IFRS 8 was issued in November 2006 and applicable for financial year beginning on / after 1 January 2009. The standard replaces IAS 14, 'Segment reporting', with its requirement to determine primary and secondary reporting segments. Under the requirements of the revised standard, the Bank's external segment reporting will be based on the internal reporting to the Bank executive board (in its function as the chief operating decision-maker), which makes decisions on the allocation of resources and assess the performance of the reportable segments.

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

The application of IFRS 8 does not impact the Bank because the Bank neither has equity or debt securities that are publicly traded nor issues equity or debt securities in a public market. In addition the Bank is not in the process of filing financial statements with a regulatory organisation for purposes of issuing securities in a public market.

Standards amendments and interpretations to existing standards issued but not yet effective

The following standards amendments and interpretations to existing standards have been issued and are mandatory for the accounting periods beginning on or after 1 July 2009 or later periods and where necessary are expected to be relevant to the Bank:

Standard/interpretation	Content	Applicable for financial years beginning on/after
IFRS 1 and IAS 27	Cost of an investment in a subsidiary, jointly controlled entity or associate	1 July 2009
IFRS 1 (Amendment)	Additional exemption for first-time adoption	January 2010
IAS 24 (Amendment)	Related party disclosures	1 January 2011
IAS 32 (Amendment)	Classification of rights issues	1 February 2010
IAS 39 (Amendment)	Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009
IFRS 3 (Amendment)	Business combinations	1 July 2009
IAS 27(Amendment)	Consolidated and separate financial statements	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013
IFRIC 19	Extinguishing financial liabilities with equity Instruments	1 July 2010
Amendments to IFRIC 9 and IAS 39	Embedded Derivatives	30 June 2009

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(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

IFRS 1 and IAS 27, 'Cost of an investment in a subsidiary, jointly-controlled entity or associate'

The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly-controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and requires an entity to present dividends from investments in subsidiaries, jointly-controlled entities and associates as income in the separate financial statements of the investor. The Bank is not impacted by IFRS 1 and IAS 27 for first-time adopters. The Bank has already adopted IFRS.

IFRS 1 (Amendment) 'Additional exemption for first-time adoption'

The amendment granted relief to existing IFRS preparers from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7 'Financial Instruments: Disclosures'. The relief was provided because the amendments to IFRS 7 were issued after the comparative periods had ended. The use of hindsight would have been required to prepare the disclosures.

Certain first-time adopters (first reporting period starting before 1 January 2010) would otherwise be required to present the comparative information as first-time adopters do not use the transition provisions in other IFRSs. The amendment to IFRS 1 provides first-time adopters with the same transition provisions (and thereby the same relief) as included in the amendment to IFRS 7.

IAS 24 'Related party disclosures'

The amendment removes the requirement for government related entities to disclose details of all transactions with the government and other government – related entities and clarifies the definition of a related party. This amendment is not expected to have any impact on the Bank's operations.

IAS 32 (Amendment) 'Classification of rights issues'

The amendment allows rights issues to be classified as equity when the price is denominated in a currency other than the entity's functional currency. A rights issue is used as a means of capital raising whereby an entity issues a right, option or warrant on a pro rata basis to all existing shareholders of a class of equity to acquire

a fixed number of additional shares at a fixed strike price (usually less than the market value of the shares on that date). The strike price of the right is denominated in currencies other than the issuer's functional currency when the entity is listed in more than one jurisdiction and is required to do so by law or regulation. Unfortunately, a fixed strike price in a non currency would normally fail the "fixed for fixed" requirement in IAS 32 to be treated as an equity instrument. However, the amendment has created an exception to the fixed for fixed requirement whereby such rights issues are now classified as equity. This amendment is not expected to have any impact on the Bank's operations.

IAS 39, 'Financial instruments: Recognition and measurement – Eligible hedged items'

The amendment 'Eligible hedged items' was issued in July 2008. It provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. This will not give rise to any changes to the Bank's financial statements.

IFRS 3, 'Business combinations'

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice, on an acquisition-by-acquisition basis, to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. This amendment is not expected to have any impact on the Bank's operations.

IAS 27, 'Consolidated and separate financial statements'

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or

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loss. This amendment is not expected to have any impact on the Bank's operations.

IFRIC 17, 'Distribution of non-cash assets to owners'

IFRIC 17 was issued in November 2008. It addresses how the non-cash dividends distributed to the shareholders should be measured. A dividend obligation is recognised when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. This dividend obligation should be recognised at the fair value of the net assets to be distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit or loss. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation. The application of IFRIC 17 has no impact on the financial statements of the Bank.

IFRIC 18, 'Transfers of assets from customers'

IFRIC 18 was issued in January 2009. It clarifies how to account for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment, and the entity must then use that item to provide the customer with ongoing access to supply of goods and/or services.

IFRS 9, 'Financial instruments part 1: Classification and measurement'

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Bank is considering the implications of the standard, the impact on the Bank and the timing of its adoption by the Bank.

Standards amendments and interpretations to existing standards issued but not yet effective

IFRIC 19 'Extinguishing financial liabilities with equity Instruments'

The new interpretation clarifies the accounting when an entity renegotiates the terms of its debts with the result that the liability is extinguished by the debtor issuing 'its aim equity instruments to the creditor (referred to as 'debt for equity swap'). This interpretation is not expected to have any impact on the Bank's operations.

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IFRIC 9 and IAS 39 'Embedded Derivatives'

The amendment states that an entity should assess whether an embedded derivative is to be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. The assessment is made on the basis of the circumstances that existed at the later of: (a) the date when the entity first became a party to the contract, and (b) the date of a change in the terms of the contract that significantly modifies the cash flows that otherwise would have been required under the contract. This amendment is not expected to have any impact on the Bank's operations.

Early adoption of standards

The Group did not early adopt new or amended standards in 2009

2.3 Consolidation

The financial statement of the consolidated subsidiaries used to prepare the consolidated financial statements were prepared as of the parent company's reporting date. The consolidation principles are unchanged as against the previous year.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

(b) Transactions and non-controlling interest

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling

interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposal to non-controlling interests are also recorded in equity.

Interest in the equity of subsidiaries not attributable to the parent are reported in consolidated equity as non-controlling interest. Profits or losses attributable to non-controlling interests are reported in the consolidated comprehensive income as profit or loss attributable to non-controlling interests.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the board of directors of the Bank as its chief operating decision maker. All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance. In accordance with IFRS 8, the Group has the following business segments: retail banking, corporate banking and investment banking.

2.5 Foreign currency translation

(a) Functional and presentation currency

The consolidated financial statements are presented in Ghana Cedis, which is the company's functional and presentation currency.

Foreign currency transactions that are transactions denominated, or that require settlement in foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

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(b) Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement in foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition. Non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2.6 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Financial assets are designated at fair value through profit or loss when certain investments, such as equity investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- (i) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- (ii) those that the Group upon initial recognition designates as available for sale; or
- (iii) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

(c) Available-for-sale financial assets

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit and loss.

Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

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Available for sale Financial assets are initially recognised at fair value which is cash consideration including any transaction costs for all financial assets not carried at fair value through profit or loss account. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished " that is, when the obligation is discharged, cancelled or expires.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the profit or loss account in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Group establishes fair value using valuation techniques. These include the use of recent arms length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle

on a net basis, or realise the asset and settle the liability simultaneously.

2.8 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.9 Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees are accrued over the loan tenure. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as

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the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised rateably over the period in which the service is provided.

2.10 Dividend income

Dividends are recognised in the income statement when the entity's right to receive payment is established

2.11 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Deterioration of the borrower's competitive position;

- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset

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reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (ie, on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment

rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have

been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement account in impairment charge for credit losses.

(b) Assets classified as available for sale

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

2.12 Intangible assets

(a) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to

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use the specific software. These costs are amortised on the basis of the expected useful lives.

Computer software costs recognised as assets are amortised using the straight-line method over a three (3) useful life span.

2.13 Property and equipment

All property and equipment are initially recorded at cost. Leasehold buildings are subsequently shown at market value based on valuation by external independent valuers less subsequent depreciation. An increase in the carrying amount arising on revaluation is credited to a capital surplus account. Decreases that offset previous increases of the same asset are charged against the capital surplus account; all other decreases are charged to the consolidated profit and loss account.

Depreciation is calculated on the straight-line method to write off the cost of property and equipment to their residual values over their estimated useful lives.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method over the remaining life of the asset as follows:

Buildings	2.5%
Motor vehicles	25%
Furniture and equipment	20%
Computers	33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are recorded in the profit and loss account.

2.14 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

2.15 Provisions

Provisions for restructuring costs and legal claims are recognised when: the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the

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expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.16 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

2.17 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.18 Leases

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net

investment method (before tax), which reflects a constant periodic rate of return.

2.19 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management.

Any increase in the liability relating to guarantees is taken to the income statement under other operating expenses.

2.20 Income tax

(a) Current income tax

Current income tax is the amount of tax payable determined in accordance with the Internal Revenue Act 2000 (Act 592). Current income tax expense is the aggregate of the charge to the income statement in respect of the current and deferred tax.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability

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method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment, revaluation of certain financial assets and liabilities. The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax related to fair value re-measurement of available-for-sale investments, which are charged or credited directly to equity, is also credited or charged directly to equity.

2.21 Fiduciary activities

The Group acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.22 Dividend on ordinary Shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders.

2.23 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Financial risk management

Risk is an inherent part of the business activities of the Bank. Accordingly, the Bank has designed a risk

management framework and governance structure to achieve an appropriate balance between risk and reward.

The risk management framework comprises a comprehensive set of policies, standards, procedures, and processes designed to identify, measure, monitor, mitigate and report significant risk exposures in a consistent and effective manner across the Bank. The risks arising from financial instruments to which the Group is exposed are financial risks, which includes credit risk, liquidity risk, market risk (which are discussed below) and operational risk.

3.1 Credit risk

Credit risk is the risk of loss from customer or counterparty default. Credit risk is said to be direct credit risk when it arises in connection with credit facilities such as loans and advances and indirect or contingent credit risk when the Bank has guaranteed contractual obligations of a client by issuing letters of credit and guarantees. Credit risk also exists when the Bank and its client have mutual obligations to exchange (deliver) financial instruments at a future date. The risk of default before settlement, also called pre-settlement risk, arises when the counterparty defaults or goes bankrupt before the contract matures and the Bank suffers a financial loss in the process of replacing the unexecuted contract. When the client defaults at the time of payment, the settlement risk converts to direct credit risk.

3.1.1 Risk identification

The Bank is exposed to credit risk through direct lending, issuance of financial and performance guarantees, and capital market activities. Credit risk analysts work in partnership with the sales function in the Wholesale

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Bank, Retail Bank, Treasury and Financial Institutions, and Investment Banking in identifying risk exposures within the bank.

Credit decisions are based on an in-depth review of the obligor's creditworthiness. The Bank utilises an internal risk rating system based on a scale of 1 to 10 to rate commercial and industrial obligors, financial institutions, sovereign governments, as well as small- and medium-scale enterprises with reliable financial statements. Risk ratings provide an objective means to compare obligors and facilities within a given portfolio, and to measure and manage credit risk across different geographies, industry segments, and business segments, and other relevant risk factors using the same standards. Accordingly, the level of credit authority required to approve any credit transaction is also based on the risk rating of obligors and facilities involved.

With regard to consumer lending and credit extension to small- and medium-scale enterprises with unreliable or no financial statements, The Bank utilises a credit program approach, whereby credit is extended on the basis of product-specific risk parameters, using manual scoring systems. The products involved are ordinarily secured and of a self-liquidating nature.

Bank, Retail Bank, Treasury and Financial Institutions, and Investment Banking in identifying risk exposures within the bank.

Credit decisions are based on an in-depth review of the obligor's creditworthiness. The Bank utilises an internal risk rating system to rate commercial and industrial obligors, financial institutions, sovereign governments, as well as small- and medium-scale enterprises with reliable financial statements.

Risk ratings provide an objective means to compare obligors and facilities within a given portfolio, and to measure and manage credit risk across different geographies, industry segments, and business segments, and other relevant risk factors using the same standards. Accordingly, the level of credit authority required to approve any credit transaction is also based on the risk rating of obligors and facilities involved.

With regard to consumer lending and credit extension to small- and medium-scale enterprises with unreliable or no financial statements, The Bank utilises a credit program approach, whereby credit is extended on the basis of product-specific risk parameters, using scoring systems. The products involved are ordinarily secured and of a self-liquidating nature.

3.1.2 Risk measurement

Credit risk measurement takes into account the actual credit exposure, the amount of loss in the event of default (also called "loss given default" or LGD), the probability of default (PD), and the severity of loss in the event of default.

To measure credit risk, the Bank estimates the level of the statistical expected economic loss in the event of default. This figure measures the net present value of credit costs that the Bank would face from the time of default until the end of the recovery process. Credit costs include all provisions taken against bad debts, write-offs, fully reserved interest earned not collected and possibly attorney fees incurred in the process of enforcing the Bank's claims in court. Under the current methodology, the Bank proceeds by assigning risk ratings to credit facilities of all the obligors in the credit portfolio. Then, the amount of credit exposure with a given facility risk rating is multiplied by the corresponding loss norms to arrive at a measure of loss in the event of default on the exposure involved. The weighted average loss norm provides a measure of the portfolio risk profile and portfolio risk rating.

3.1.3 Risk monitoring and control

Credit administration units monitor the performance of individual exposures on a daily basis, ensure regularity of credit approvals and line utilisations, authorise disbursements of credit facilities when approval conditions are met, and perform periodical reviews of collateral. These units are also responsible for the preparation of internal risk management reports for management and Group Risk Management. Remedial Management units monitor past due exposures with a view to maximising loan recoveries.

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

3.1.4 Collateral

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

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

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

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

3.1.5 Maximum exposure to credit risk before collateral held

Credit risk exposures relating to on-balance sheet assets are as follows:

	Maximum exposure	
	2009 GHS '000	2008 GHS '000
Cash and balances with Bank of Ghana	104,162	69,797
Government securities	268,534	89,679
Loans and advances to banks	442,806	232,609
Loans and advances to customers:		
- Retail	113,789	173,263
- Wholesale	342,370	228,268
Trading assets	2,540	5,092
Other assets	40,665	58,316
Investment securities: available for sale	24,363	35,182
	1,339,229	892,206

Credit risk exposures relating to off-balance sheet items are as follows:

Financial guarantees	223,062	100,166
Loan commitments and other credit related liabilities	10,067	33,071
	233,129	133,237
At 31 December	1,572,358	1,025,443

The above table represents a worse-case scenario of credit risk exposure to the Group at 31 December 2009 and 2008, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As shown above, 57% of the total maximum exposure is derived from loans and advances to banks and

customers (2008:62%); 19% represents investment in debt securities held in government treasury bills and bonds (2008:12%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both its loan and advances portfolio and investment securities.

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

3.1.6 Loans and advances

(a) Loans and advances are summarised as follows:

	2009		2008	
	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers
	GHS 000	GHS 000	GHS 000	GHS 000
Neither past due nor impaired	442,806	458,888	232,609	397,959
Past due but not impaired	-	788	-	2,233
Individually impaired	-	15,436	-	12,715
Gross	442,806	475,112	232,609	412,907
Less: allowance for impairment	-	(18,952)	-	(9,641)
Net	442,806	456,160	232,609	403,266

(b) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed with reference to the internal rating system adopted by the Group. Gradings of current and other loans especially mentioned (OLEM) are not considered past due nor impaired.

2009

	Loans and advances to customers						
	Retail Overdrafts	Credit cards	Term Loans	Mortgages	Wholesale Overdrafts	Term loans	Total
Grades:	GHS 000	GHS 000	GHS 000	GHS 000	GHS 000	GHS 000	GHS 000
Current	32,744	3,033	76,884	6,129	78,475	253,780	451,045
OLEM	618	2,861	-	206	2,081	2,077	7,843
Total	33,362	5,894	76,884	6,335	80,556	255,857	458,888

2008

	Loans and advances to customers						
	Retail Overdrafts	Credit cards	Term Loans	Mortgages	Wholesale Overdrafts	Term loans	Total
Grades:	GHS 000	GHS 000	GHS 000	GHS 000	GHS 000	GHS 000	GHS 000
Current	48,031	335	118,173	3,747	99,413	125,438	395,137
OLEM	979		446		627	770	2,822
Total	49,010	335	118,619	3,747	100,040	126,208	397,959

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

(c) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

2009

	Retail		Wholesale		Total
	Overdrafts	Term loans	Overdrafts	Term loans	
	GHS 000	GHS 000	GHS 000	GHS 000	GHS 000
Past due up to 30 days	188	-	238	-	426
Past due 30-60 days	106	-	256	-	362
Total	294	-	494	-	788
Fair value of collateral	350	-	60	-	410

2008

	Retail		Wholesale		Total
	Overdrafts	Term loans	Overdrafts	Term loans	
	GHS 000	GHS 000	GHS 000	GHS 000	GHS 000
Past due up to 30 days	1,401	408	77	347	2,233
Fair value of collateral	1,945	456	98	356	2,855

(d) Loans and advances individually impaired

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

2009

	Retail		Wholesale		Total
	Overdrafts	Term loans	Overdrafts	Term loans	
	GHS 000	GHS 000	GHS 000	GHS 000	GHS 000
Individual impaired loans	4,467	2,988	2,325	5,656	15,436
Fair value of collateral	5,921	3,098	4,656	14,051	27,726

2008

Individual impaired loans	4,027	2,677	3,906	2,105	12,715
Fair value of collateral	4,027	2,823	4,452	1,655	12,957

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

(e) Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

	2009 GHS 000	2008 GHS 000
Loans and advances to customers		
- Term loans	1,645	426

(f) Repossessed collateral

During the year ended 31st December 2009, the Group obtained assets by taking possession of collateral held as security, as follows:

	2009 Carrying amount		2008 Carrying amount	
	Collateral	Related loan	Collateral	Related loan
Nature of assets	GHS 000	GHS 000	GHS 000	GHS 000
Residential property	-	-	186	270
Commercial property	151	311	29	29
	151	311	215	299

Reposessed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness.

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

3.2 Market risk

Market risk is the risk of loss arising from adverse changes in market conditions (interest rates, exchange rates and equity prices) during the period required by the Bank to close out its on- and off-balance sheet positions. Positions that expose the Bank to market risk can be trading or non-trading related. Trading risk comprises positions that the Bank holds as part of its trading or market-making activities, whereas non-trading risk includes discretionary positions that the Bank undertakes for liquidity.

3.2.1 Risk identification

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

3.2.2 Interest rate risk

Interest rate risk is the exposure of current and future earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors, including:

- differences between the timing of market interest rate changes and the timing of cash flows (repricing risk)
- changes in the market interest rate producing different effects on yields on similar instruments with different maturities (yield curve risk);
- changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar repricing characteristics (basis risk);

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

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

The table below summarises the repricing profiles of the group's financial instruments and other assets and liabilities as at 31 December 2009. Items are allocated to time periods with reference to the earlier of the next contractual interest rate repricing date and the maturity date.

As at 31 December 2009	Up to 1 month	1-3 months	3-12 months	1-5 years	Non Interest Bearing	Total
Assets						
Cash and balances with Bank of Ghana	-	-	-	-	104,162	104,162
Treasury bills and other eligible bills	68,907	50,768	148,859	-	-	268,534
Loans and advances to banks	175,117	105,488			162,201	442,806
Loans and advances to customers	108,892	106,392	167,068	73,807	-	456,159
Trading assets	2,540	-	-	-	-	2,540
Investment securities: available for sale	21,881	-	-	-	2,482	24,363
Other assets	-	-	-	-	40,665	40,665
Total financial assets	377,337	262,648	315,927	73,807	309,510	1,339,229
Liabilities						
Deposits from banks	90,127	-	-	-	-	90,127
Customer deposits	97,235	113,793	137,827	82,560	490,663	922,077
Borrowings	-	-	1,613	80,886		82,499
Other liabilities	-	-	-	-	84,703	84,703
Total financial liabilities	187,362	113,793	139,440	163,446	575,365	1,179,406
Total interest repricing gap	189,975	148,855	176,487	(89,641)	(265,855)	159,823

At 31 December 2008

Total financial assets	317,193	119,585	171,056	112,054	173,236	893,124
Total financial liabilities	80,259	42,151	46,118	83,056	576,418	828,002
Total interest repricing gap	236,934	77,434	124,938	28,998	(403,182)	65,122

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

3.2.3 Foreign exchange risk

Foreign exchange risk is measured through the Income statement account. The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra group.

(a) Currency analysis

At 31 December 2009	EUR	USD	GBP	Cedis	Others	Total
Assets						-
Cash and balances with Bank of Ghana	3,433	5,371	1,607	92,570	1,181	104,162
Government securities	-	-	-	268,534	-	268,534
Loans and advances to banks	36,177	377,233	-	-	29,396	442,806
Trading assets	-	-	-	2,540	-	2,540
Loans and advances to customers	11,124	181,869	88	263,078	-	456,159
Investment securities: available for sale	-	-	-	24,363	-	24,363
Intangible asset	-	-	-	3,630	-	3,630
Other assets	-	-	-	40,665	-	40,665
Total assets	50,734	564,473	1,695	697,750	30,577	1,339,229
Liabilities						-
Deposits from banks	-	37,610	-	43,738	8,779	90,127
Deposits due to customers	15,608	424,551	-	471,947	9,971	922,077
Other liabilities	-	26,969	-	57,734	-	84,703
Borrowings	26,141	51,315	-	5,043	-	82,499
Total liabilities	41,749	540,445	-	578,462	18,750	1,179,406
Net on balance sheet position	8,985	24,028	1,695	113,288	11,827	159,823
Credit commitments	25,301	165,978	377	39,745	1,728	233,129
At 31 December 2008						
Total assets	33,790	318,639	9,692	548,072	9,502	919,695
Total liabilities	33,261	314,509	9,548	473,013	4,626	834,957
Net on balance sheet position	529	4,130	144	75,059	4,876	84,738
Credit commitments	27,324	37,088	9,992	57,311	1,522	133,237

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

3.2.4 Country analysis

The amount of total assets and total liabilities held by the Group in and outside of Ghana is analysed below.

	In Ghana	Outside Ghana	In Ghana	Outside Ghana
	2009	2009	2008	2008
Assets				
Cash and balances with Bank of Ghana	104,162	-	69,797	-
Government securities	268,534	-	89,679	-
Loans and advances to banks	930	441,876		232,609
Trading assets	2,540	-	5,092	-
Loans and advances to customers	456,159	-	401,531	-
Investment securities	24,363	-	35,182	-
Intangible asset	3,630	-	2,190	-
Property and equipment	44,015	-	24,381	-
Deferred income tax asset	1,319			
Other assets	34,710	5,955	59,234	-
Total assets	940,362	447,831	687,086	232,609
Liabilities				
Deposits from banks	84,092	6,036	9,974	4,287
Deposits due to customers	922,077	-	682,705	-
Other liabilities	68,112	16,591	69,742	2,126
Current income tax	1,147	-	557	-
Deferred income tax liabilities	2,227	-	3,784	-
Borrowings	4,359	78,140	4,359	57,423
Total liabilities	1,082,014	100,766	771,121	63,836

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

3.2.5 Market risk measurement technique

The Group applies a value at risk methodology (VAR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value of risk that may be accepted for the Group, trading and non-trading separately, which are monitored on a daily basis by Group Treasury.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the maximum amount the Group might lose, but only to a certain level of confidence (98%).

There is therefore a specified statistical probability (2%) that actual loss could be greater than the VAR estimate.

The VAR model assumes a certain holding period until positions can be closed (10 days). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over the preceeding 10-day period in the past. The Group's assessment of past movements is based on data for the past five years. The Group applies these historical changes in rates, prices, indices, etc. directly to its current positions a method known as historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

	2009			2008		
	Low	Average	High	Low	Average	High
Foreign exchange risk	90	115	163	5	7	12
Equity risk	236	303	428	127	1	333
Interest rate Risk	20	240	1,217	88	214	537

3.2.6 Risk monitoring and control

The Risk Management department is responsible for reviewing market risk in the bank. The Treasury department monitors interest rate and liquidity risks through daily, weekly, and monthly reviews of the structure and pricing of assets and liabilities. Monthly Assets and Liability Committee (ALCO) meetings are also held.

The Bank analyzes the impact of unlikely, but not impossible events by means of scenario analysis, which enable management to gain a better understanding of the risks that it faces under extreme conditions. Both historical and hypothetical events are tested.

3.2.7 Risk reporting

Reports on the bank's positions are reviewed daily by Audit and Compliance. Reports include exchange positions and liquidity positions in all currencies. Variations to expectations are reviewed and corrected if need be.

3.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

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

At 31 December 2009	Up to 1 month	1-3 months	3-12 months	1-5 years	Over five years	Total
Liabilities						
Deposits from banks	92,831	-	-	-	-	92,831
Deposits due to customers	592,306	115,499	145,580	62,676	19,930	935,991
Other liabilities	31,900	32,361	20,442	-	-	84,703
Current tax liabilities	-	1,147	-	-	-	1,147
Deferred income tax	-	-	-	1,319	-	1,319
Borrowings	-	-	1,664	52,212	30,114	83,990
Total liabilities (Contractual maturity dates)	717,037	149,007	167,686	116,207	50,044	1,199,981
Assets						
Cash and balances with Bank of Ghana	104,162	-	-	-	-	104,162
Government securities	68,907	50,768	148,859	-	-	268,534
Loans and advances to banks	175,117	105,488	-	-	162,201	442,806
Trading assets	2,540	-	-	-	-	2,540
Loans and advances to customers	108,892	106,392	167,068	73,807	-	456,159
Investment securities	21,881	2,482	-	-	-	24,363
Other assets	9,556	11,535	19,574	-	-	40,665
Total assets held for managing liquidity risk (Contractual maturity dates)	491,055	276,665	335,501	73,807	162,201	1,339,229
Liquidity gap	(225,982)	127,658	167,815	(42,400)	112,157	139,248
At 31 December 2008						
Total liabilities (Contractual maturity dates)	186,915	388,487	172,715	38,095	48,745	834,957
Total Assets (Contractual maturity dates)	447,165	134,426	206,183	119,938	14,282	921,994
Liquidity gap	(260,250)	254,061	(33,468)	(81,843)	34,463	(87,037)

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

3.4 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair values.

	Carrying value		Fair value	
	2009	2008	2009	2008
Financial assets				
Loans and advances to customers	455,762	402,776	451,893	401,967
Loans and advances to banks	442,807	232,609	432,467	229,683
Financial liabilities				
Deposits from banks	90,127	14,261	88,970	14,261
Deposits from Customers	922,077	682,705	910,619	648,826
Borrowings	82,499	61,782	76,481	61,782

(i) Loans and advances to banks

Loans and advances to banks include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Loans and advances to customers

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

(iii) Investment securities

The fair value for loans and receivables and held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is rated using quoted market prices for securities with similar credit, maturity and yield characteristics. All available for sale assets are already measured and carried at fair value.

(iv) Deposits from banks and customer deposits

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining

maturity.

(v) Off-balance sheet financial instruments

The estimated fair values of the off-balance sheet financial instruments are based on markets prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

(b) Fair value hierarchy

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

Level 1 - Quoted prices (adjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components

This hierarchy requires the use of observable market data when available. The group considers relevant and observable market prices in its valuations where possible.

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

	Level 1	Level 2	Level 3
Trading assets	2,540	-	-
Government Securities	-	268,534	-
Investment securities - available-for-sale	-	24,363	-
Total financial assets	2,540	292,897	-

3.5 Capital management

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- To comply with the Bank's capital requirements set by the Bank of Ghana.
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by management, employing techniques based on the guidelines issued by the Bank of Ghana for supervisory purposes. The required information is filed with the Bank of Ghana on a monthly basis. The Central Bank requires foreign owned bank to:

(a) Hold the minimum level of the regulatory capital of GHS 60 million by December 2009; and

(b) Maintain a ratio of total regulatory capital to the risk-weighted asset at or above 10%.

The Group's regulatory capital is managed by Treasury and is divided into two tiers:

- Tier 1 capital share capital arising on permanent shareholders' equity and income surplus and statutory reserves created; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with each asset and counterparty. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

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(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

The table below summarizes the composition of regulatory capital and the ratios of the Group for the years ended 31 December. During those two years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

Tier 1 Capital	2009	2008
Share capital	100,000	16,400
Regulatory risk reserves	2,716	2,781
Statutory reserves	29,654	22,965
Retained earnings	59,041	41,619
Non controlling interest	(1,489)	(622)
Total qualifying tier 1 capital	189,922	83,143
Tier 2 capital		
Subordinated debt	50,030	24,268
Other reserves	15,491	1,595
Total qualifying tier 2 capital	65,521	25,863
Total regulatory capital	255,443	109,006
Risk weighted assets		
On balance sheet	906,081	528,317
Off balance sheet	223,062	133,237
Total risk weighted assets	1,129,143	661,554
Capital adequacy ratio	22.62%	16.48%

4 Critical accounting estimates and judgments

The Group's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the consolidated financial statements.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

(a) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an

impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

(b) Impairment of available for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price.

(c) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments

or using models. Models are calibrated to ensure that outputs reflect actual data and comparative market prices.

(d) Income taxes

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

	2009	2008
5 Interest income		
Placements and short-term funds	12,382	11,691
Treasury bills and governments securities	42,452	16,203
Loans and advances	76,545	44,860
	131,379	72,754
6 Interest expense		
Demand deposits	8,667	2,399
Time deposits	11,808	13,304
Borrowed funds	19,313	6,678
Savings	9,134	4,224
	48,922	26,605
7 Fees and commission income		
Trade finance fees	17,626	4,879
Credit related fees and commission	6,231	3,746
Cash management	16,419	9,186
Other fees and commissions	3,928	3,067
	44,204	20,878

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

	2009	2008
8 Fee and commission expense		
Fees and commission expenses	2,052	1,107
9 Lease income		
Finance lease	5,066	4,310
10 Net trading income		
Foreign exchange:		
- translation gains less losses	7,079	5,316
- transaction gains less losses	23,284	27,527
Interest rate instruments	70	483
Equities	(2,285)	1,983
	28,148	35,309
11 Dividend income		
Listed equities(available for sale)	448	613
12 Other operating income		
Profit on sale of equipment	148	13
Other income	1,469	1,024
	1,617	1,037
13 Impairment charge on loans and advances		
Loan impairment	13,549	9,771
Recoveries	(4,031)	(3,978)
	9,518	5,793
Impairment charge on loans and advances to customers		
At 1 January	9,461	4,460
Increase in impairment	9,518	5,793
Amounts written off during the year as uncollectible	(27)	(792)
At 31 December	18,952	9,461

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

14 Operating expenses	2009	2008
Staff expenses	33,150	22,737
Rent	2,016	1,230
Travel	1,264	1,177
Technology and communications	7,010	7,390
Donation and business promotion	2,060	1,817
Advertising	1,641	1,198
Training	1,017	726
Audit fees	246	190
Directors fees	268	152
Repairs and maintenance	4,156	4,157
Depreciation	6,086	4,003
Amortisation of software	1,430	161
Electricity, water and telephone	2,581	1,897
Rights issue transaction costs	902	-
Other administrative expenses	13,854	10,670
	77,681	57,505

Staff expenses	2009	2008
Wages and salaries	19,725	15,485
Social security fund contribution	2,466	1,953
Other allowances	10,959	5,299
	33,150	22,737

15 Income tax expenses		
Current income tax	19,950	10,696
Deferred income tax (Note 16)	(2,755)	(384)
	17,195	10,312

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

Profit before tax	72,689	43,891
Corporate tax rate at 25% (2008:22%)		
Tax calculated at corporate tax rate	18,172	9,656
Income subject to tax at different rates	(324)	(175)
Tax impact on expenses not deductible for tax purposes:	(653)	831
Income tax expense	17,195	10,312

The movement in current income tax is as follows:

	Balance at 1 January	Charge for the year	Payment	Balance at 31 December
Current income tax				
Year of assessment				
Up to 2008	557	-	-	557
2009	-	19,950	(19,360)	590
	557	19,950	(19,360)	1,147

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

16 Deferred income tax liabilities	2009	2008
Accelerated tax depreciation	1,297	1,876
Available-for-sale securities	96	14
Revaluation of property	716	-
Other temporary differences	118	1,894
	2,227	3,784

Deferred income tax assets		
Provisions for loan impairment	1,083	611
Other provisions	236	307
	1,319	918

The movement on the deferred income tax account is as follows:

At 1 January	2,863	3,249
Income statement charge	(2,755)	(384)
Available-for-sale securities:		
- fair value remeasurement	85	(2)
Revaluation of property	716	-
At 31 December	908	2,863

The deferred tax charge in the income statement comprises the following temporary differences:

Accelerated tax depreciation	(579)	27
Provision for loan impairment	(472)	(281)
Other provisions	71	333
Other temporary differences	(1,775)	(463)
	(2,755)	(384)

17 Income tax effects relating to components of other comprehensive income

	2009	2008
Fair Value Gain on available for sale securities	85	(2)
Revaluation of buildings	716	-
	801	(2)

18 National Stabilisation Levy

The National Stabilisation Levy Act, 2009, became effective from 1 July 2009. Under the Act, an additional 5% levy will be charged on profit before tax. The levy is to be paid quarterly beginning 1 July 2009.

	2009	2008
At 1 January	-	-
Levy for Year	1,641	-
Payments	-	-
At 31 December	1,641	-

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

19 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	2009	2008
Profit attributable to equity holders of the Bank	53,853	33,579
Weighted average number of ordinary shares in issue (millions)	208	161
Basic earnings per share (expressed in pesewas per share)	26	16
Diluted earnings per share (expressed in pesewas per share)	26	16

20 Cash and balances with Bank of Ghana

	2009	2008
Cash in hand	48,014	37,978
Mandatory reserve deposits with Bank of Ghana	56,148	31,819
	104,162	69,797

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

21 Government securities

	2009	2008
At 1 January 2009	89,679	86,468
Additions	267,826	81,272
Disposals	(88,906)	(77,999)
Losses from changes in fair value (Note 35)	(65)	(62)
At 31 December 2009	268,534	89,679

Government securities are treasury bills and bonds issued by the Government of Ghana. These are classified as available-for-sale and carried at their fair value.

22 Loans and advances to banks

	2009	2008
Operating account balances with other banks	122,859	44,048
Items in course of collection from other banks	34,513	34,058
Placements with banks	285,434	154,503
Total	442,806	232,609

Current	442,806	232,609
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23 Trading assets

	2009	2008
Listed equity securities	2,540	5,092

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

24 Loans and advances to customers

	2009	2008
Overdrafts	111,923	148,849
Staff loans	13,823	9,078
Finance leases	17,465	18,448
Mortgage loans	6,335	3,747
Term loans	325,565	230,870
Gross loans and advances to customers	475,111	410,992
Allowances for impairment	(18,952)	(9,461)
Net loans and advances to customers	456,159	401,531

Analysis by industry

Construction	43,239	44,589
Agriculture, forestry and fishing	12,905	3,668
Mining and quarrying	17,601	17,029
Manufacturing	89,867	104,912
Electricity, gas and water	38,766	303
Commerce and finance	73,447	72,123
Transport, storage and communication	33,152	23,604
Services	166,134	144,764
	475,111	410,992
Current	382,352	304,334
Non-current	92,759	106,658

The total impairment charge to the income statement during the year represent 4% of the Gross loans for the year end. (2008: 2.3%)

The fifty largest exposure by customers constitutes 55% of the gross loans (2008: 56%)

The total amount of allowance for impairment represent 3.2% of the Gross loans at the year end (2008: 3.1%)

Gross investment in finance leases may be analysed as follows:

	2009	2008
Less than 1 year	2,530	2,298
Between 1 year and 5 years	18,615	20,492
More than 5 years	2,090	1,795
	23,235	24,555
Unearned finance income on finance leases	(5,770)	(6,107)
Total	17,465	18,448

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

25 Investment securities

	2009	2008
At 1 January	35,182	5,804
Additions	-	29,325
Disposals on maturity	(11,266)	
Gains from changes in fair value (Note 35)	447	53
	24,363	35,182

26 Intangible assets

Cost	2009	2008
At 1 January	2,351	-
Additions	2,870	2,351
At 31 December	5,221	2,351

Accumulated Depreciation

At 1 January	161	-
Charge for the year	1,430	161
At 31 December	1,591	161

Net Book value	3,630	2,190
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Intangible assets represents license for corporate software.

27 Property and equipment

2009	Leasehold buildings	Furniture and equipment	Computers	Motor vehicles	Capital Work in progress	Total
Cost						
At 1 January 2009	4,840	13,381	8,866	2,791	7,643	37,521
Revaluation	13,389	-	-	-	-	13,389
Additions	329	2,346	5,390	987	2,366	11,418
Disposals	-	(17)	(2)	(246)	-	(265)
Transfers	3,247	3,489	2,886	387	(10,009)	-
At 31 December 2009	21,805	19,199	17,140	3,919	-	62,063
Depreciation						
At 1 January 2009	730	5,850	5,198	1,362	-	13,140
Charge for the year	328	2,330	2,684	744	-	6,086
Disposals	-	(4)	(2)	(246)	-	(252)
Released on revaluation	(926)					(926)
At 31 December 2009	132	8,176	7,880	1,860	-	18,048
Net book value at 31 December 2009	21,673	11,023	9,260	2,059	-	44,015

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

2008	Leasehold buildings	Furniture and equipment	Computers	Motor vehicles	Capital Work in progress	Total
Cost						
At 1 January 2008	4,383	8,786	5,524	1,642	5,784	26,119
Transfers	231	-	-	-	(231)	-
Additions	226	4,598	3,349	1,195	2,090	11,458
Disposals	-	(3)	(7)	(46)	-	(56)
At 31 December 2008	4,840	13,381	8,866	2,791	7,643	37,521
Depreciation						
At 1 January 2008						
Charge for the year	616	4,051	3,462	1,058	-	9,187
Disposals	114	1,802	1,737	350	-	4,003
At 31 December 2008	-	(3)	(1)	(46)	-	(50)
	730	5,850	5,198	1,362	-	13,140
Net book value at 31 December 2008	4,111	7,531	3,667	1,429	7,642	24,381

The historical cost of revalued Land and Buildings is:

	2009	2008
Cost	6,831	3,030
Accumulated depreciation	(444)	(410)
Net book value	6,387	2,620

Gain/(loss) on disposal of vehicles and equipment

Gross book value	265	56
Accumulated depreciation	(252)	(50)
Net book value	13	6

Sales proceeds	161	19
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Gain/(loss) on disposal of vehicles and equipment	148	13
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NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

28. Other assets

	2009	2008
Fees receivable	3,816	5,284
Prepayments	16,718	18,020
Due from affiliates	5,955	5,543
Sundry receivables	14,176	29,469
	40,665	58,316
Current	28,411	45,550
Non-current	12,254	12,766
	40,665	58,316

29. Deposits from banks

Other deposits from banks	90,127	14,261
Current	90,127	14,261

30. Customer deposits

Current accounts	600,292	533,167
Cash collateral	146,718	24,009
Savings account	48,238	33,445
Time deposit	126,829	92,084
	922,077	682,705
Current	839,517	651,397
Non-current	82,560	31,308
	922,077	682,705

The twenty largest depositors constitute 20% of the total deposits at the year end (2008: 29%)

31. Other liabilities

Collections from Customers	11,577	5,433
Bankers drafts and managers cheques	7,562	14,241
Point of sale terminals	761	3,125
Accruals	29,737	21,515
Other liabilities	35,066	27,554
	84,703	71,868
Current	84,703	71,868
Non-current	-	-
	84,703	71,868

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

32. Borrowings	01-Jan-09	Drawdown	Repayment	Exchange Differences	31-Dec-09
Oikocredit Ecumenical Development	2,275	-	(1,050)	388	1,613
SOCIAL SECURITY AND NATIONAL INSURANCE TRUST(SSNIT)	4,359	-	-	-	4,359
INTERNATION FINANCE CORPORATION	24,268	-	-	4,412	28,680
BHF-BANK	4,640	-	(4,640)	-	-
EXPORT DEVELOPMENT-INVEST	1,510	-	(825)	-	685
EUROPEAN INVESTMENT BANK	24,730	-	(3,063)	4,145	25,812
ECOBANK TRANSNATIONAL INCORPORATED	-	21,135	-	215	21,350
	61,782	21,135	(9,578)	9,160	82,499

Oikocredit Ecumenical Development Co-operative Society agreed to make available to the bank, a loan of US\$3 million for on-lending to Small-Medium Enterprises, over a period of 5 years, including a moratorium of 1 year from the date of disbursement of Principal. Interest on the loan is 3.71% plus a margin of 2.5%.

SSNIT made available to the bank a loan of US\$4.15 million for on-lending to a customer of the bank, over a 10 year period from 9 June 2008 to 9 June 2015. Interest on the loan is based on the Bank of Ghana prime rate applicable on the date of the drawdown, provided that the rate will be adjusted from time to time in accordance with any changes in the Bank of Ghana prime rate. Interest on the loan may be capitalised semi-annually counting from date of the drawdown in the event that the Bank fails to honor interest repayments.

A loan of US\$20 million from the International Finance Corporation (IFC) was granted to the Bank by an agreement dated on the 20th July 2007. The purpose of this loan is to be used as a tier II capital, with an interest rate of LIBOR plus a margin of 3.01% per annum, for a period of 8 years ending on the 15 June 2015.

The Bank secured an amount of Five Million EUROS from BHF-BANK by an agreement dated 10th February 2003. The purpose of the facility is to be used for the pre-financing of exports with an interest rate of 0.5% per

annum above the monthly average EONIA(EURO Overnight Index Average) for a period of six years ending 9 February 2009.

The facility from European Investment Bank facility is repayable in 2014. The purpose of these funds is to provide financial resources for the development and promotion of export trade and small and medium enterprises. Interest on this facility is LIBOR plus a margin of 3.3095% and paid semi-annually.

The borrowing from Export Development Fund (EDIF) is for purposes of on-lending to small scale enterprises, export insurance re-financing and credit guarantee. It is a revolving fund with an interest rate of 2.5% per annum.

By an agreement dated 31 March 2009 Ecobank Transnational Incorporated granted a USD loan of 14.8 million to the Bank at a rate on LIBOR plus a spread of 3.6%. This facility is scheduled to be repaid on June 15 2015.

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

33. Stated capital

Authorised	2009	2008
Ordinary shares of no par value	500,000,000	500,000,000
Issued and fully paid		
Ordinary shares of no par value	230,128,372	161,225,000
Issued ordinary shares as follows:		
Issued for cash	88,692	9,192
Issues for consideration other than cash:		
- Capitalisation issue in accordance with Section 74 (i) Act 179	11,308	7,208
	100,000	16,400

At the annual general meeting of the shareholders held on 26 March 2009, the shareholders resolved by a special resolution to increase the stated capital of the company up to GHS100 million by a transfer of GHS 4.1 million from income surplus account and a rights issue of GHS 79.5 million to increase the stated capital to 100 million.

The movement in stated capital is as follows:

	Number of Shares 2009	Number of Shares 2008	Consideration '000 2009	Consideration '000 2008
At 1st January	161,225,000	161,225,000	16,400	16,400
Capitalisation Issue	40,306,250		4,100	
Rights Issue	28,597,122		79,500	
At 31st December	230,128,372	161,225,000	100,000	16,400

There is no unpaid liability on any shares and there are no call or installments unpaid. There are no treasury shares.

34. Income surplus

	2009	2008
At 1 January	41,619	23,496
Profit for the year	54,720	34,085
Dividend relating to prior year	(26,574)	(13,384)
Transfer to statutory banking reserves (Note 36)	(6,689)	(4,218)
Transfer to Stated Capital (Note 33)	(4,100)	-
Transfer from regulatory credit risk reserve (Note 37)	65	1,640
	59,041	41,619

35. Revaluation reserves

(a) Capital surplus - Building revaluation

	2009	2008
At 1 January	1,354	1,354
Revaluation Gain (Note 31)	14,315	-
Deferred Tax (Note 16)	(716)	
	14,953	1,354

(b) Available for sale instruments

	2009	2008
At 1 January	241	248
Net losses from changes in fair value - government securities (note 21)	(65)	(62)
Net gains from changes in fair value - investment securities (note 25)	447	53
Deferred income taxes (Note 16)	(85)	2
At 31 December	538	241
Total other reserves	15,491	1,595

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

36. Statutory Reserve Fund

Statutory reserve represents the cumulative amount set aside from annual net profit after tax as required by Section 29 (1) of the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act of 2007, Act (738) for the bank and Non-Bank Financial Institutions Business (BOG) Rule 5, for Ecobank Leasing Company Limited.

The proportion of net profits transferred to reserves ranges from 12.5% to 50% of net profit after tax, depending on the ratio of existing statutory reserve fund to paid up capital. The Bank of Ghana granted a waiver to all banks allowing the rate of provision out of income surplus to stated capital to be maintained at their December 2008 levels of paid-up capital until 2010.

	2009	2008
At 1 January	22,965	18,747
Transfer from Income surplus	6,689	4,218
At 31 December	29,654	22,965

37. Regulatory credit risk reserve

Regulatory credit risk reserve represents excess loan provision as per Bank of Ghana guidelines over IFRS loan provisions.

At 1 January	2,781	4,421
Transfer to Income surplus	(65)	(1,640)
At 31 December	2,716	2,781

38. Cash and cash equivalents

Cash balances (Note 20)	48,014	37,978
Government Securities (Note 3.3)	119,675	54,050
Due from other banks (Note 22)	442,806	232,610
Due to banks (Note 29)	(90,127)	(14,261)
	520,368	310,377

Cash and cash equivalents comprise of balances with less than three months maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

39. Contingent liabilities and commitments

Off balance sheet items

In common with other banks, the bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. In addition, there are other derivative instruments, including forwards and option contracts or combinations thereof (all commonly known as derivatives), the nominal amounts of which are not reflected in the consolidated balance sheet.

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate.

Other contingent liabilities include transaction related customs and performance bonds and are generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have a specific maturity but are cancellable by the lender subject to notice requirements. Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

The following tables summarise the nominal principal amount of contingent liabilities and commitments with off-balance sheet risk.

	2009	2008
Contingent liabilities		
Guarantees and indemnities	53,230	40,082
Documentary and commercial letters of credit	169,832	60,084
	223,062	100,166
Commitments		
Loan commitments	10,067	33,071
	233,129	133,237

Legal proceedings

There were a number of legal proceedings outstanding against the Group at 31 December 2009. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

40. Transactions with executive directors and key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Ecobank Ghana Limited (directly or indirectly) and comprise the Executive Directors and Officers of Ecobank Ghana Limited.

There were no material related party transactions with companies where a Director or other member of key management personnel (or any connected person) is also a Director or other member key management personnel (or any connected person) of Ecobank Ghana Limited.

No provisions have been recognised in respect of loans to Directors or other members of Key Management Personnel (or any connected person).

Remuneration of executive directors and other key management personnel

	2009	2008
Salaries and other short-term benefits	704	700
Employer social security charges on emoluments	88	87
	792	787

41. Transactions with executive directors and key management personnel

Details of transactions between Directors and other Key management personnel (and their connected persons) and the Group are as follows:

	2009	2008
Loans		
Loans outstanding at 1 January	172	236
Net movement	(20)	(64)
Loans outstanding at 31 December	152	172
Interest income earned	11	6

There were no loans in respect of non executive directors.

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

Deposits	2009	2008
Deposits at 1 January	290	280
Net movement during the year	(171)	10
Deposits at 31 December	119	290
Interest income earned	17	11

42. Business segments

The Group has three main business segments:

a) Retail banking incorporates private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.

b) Wholesale banking specialises in serving the public sector, multinational institutions, financial institutions and other major players in the private sector which constitute the wholesale banking segment of the market.

c) Treasury unit manages the relationships with International Organisations, Financial Institutions, Insurance Companies, Non Governmental Organisations and Embassies. Treasury engages in Foreign exchange trading and manages the bank's balance sheet, ensuring that all interest rate and exchange rate risks are adequately monitored. The unit is also in charge of liquidity management; ensuring that the bank is able to honour its commitments as and when they fell due.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital.

The Group's operations are based in Ghana. There are no separately distinguishable geographical segments.

43. Segment results of operations

The segmental information provided to the board for reportable segments for the year ended 31st December is as follows:

At 31 December 2009	Wholesale banking	Retail Banking	Treasury	Total
Net interest income	32,907	32,809	16,742	82,458
Net fees and commission income	23,896	18,256	-	42,152
Other income	6,776	9,359	19,144	35,279
Operating income	63,579	60,424	35,886	159,889
Loan impairment charges (negative)	5,537	3,981	-	9,518
Net operating income	58,042	56,443	35,886	150,371
Total income	58,042	56,443	35,886	150,371
Total assets	315,285	140,874	932,034	1,388,193
Total liabilities	517,976	404,101	260,702	1,182,780

NOTES

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

At 31 December 2008	Wholesale banking	Retail Banking	Treasury	Total
Net interest income	21,760	19,662	4,727	46,149
Net fees and commission income	12,832	6,939	-	19,771
Other income	7,649	10,957	22,663	41,269
Operating income	42,241	37,558	27,390	107,189
Loan impairment charges	(3,753)	(2,040)	-	(5,793)
Net operating income	38,488	35,518	27,390	101,396
Share of profit of associates and joint venture				-
Total income	38,488	35,518	27,390	101,396
Total assets	225,942	179,182	514,571	919,695
Total liabilities	359,683	295,975	170,781	834,957

In the normal course of business, assets are sometimes pledged for specific purposes.
The status of pledged assets is as follows:

44. Pledged assets	Asset pledged		Related liability	
	2009	2008	2009	2008
Government securities	4,000	2,000	4,800	2,400

45. Dividend per share

Final dividends are not accounted for until they have been approved at the Annual General meeting. At the forthcoming meeting, dividend of 18 Ghana pesewas(2008:16 Ghana pesewas) per share is to be proposed amounting to a total of GHS41,423,107 (2008:GHS 26,574,000)

SHAREHOLDERS' INFORMATION

Number of shareholders

The Bank had 13,728 ordinary shareholders at 31 December 2009 distributed as follows:

Category	2009		2008	
	No. of holders	% of Shares held	No. of holders	% of Shares held
1 – 1,000	12,060	1.60	11,152	2.00
1,001 – 5,000	1,337	1.10	807	1.00
5,001 – 10,000	175	0.50	87	1.00
10,000 and over	156	96.80	106	96.00
Total	13,728	100	12,152	100

SHAREHOLDERS' INFORMATION

(All amounts are expressed in thousands of Ghana cedis unless otherwise stated)

DIRECTORS' SHAREHOLDING

The Directors named below held the following number of shares in the bank as at 31 December 2009:

Directors	No. of shares	% holding
Tei Mensa Mante	40,000	0.0174
Samuel Ashitey Adjei	41,260	0.0179
Frances Adu-Mante (Mrs)	65,772	0.0286
Kofi Ansah	9,902	0.0043
Mariam Gabala Dao (Mrs)	38,977	0.0169
Albert Kobina Essien	41,762	0.0181
Adegboyega Oladapo A. Ojora	5,000	0.0022
Lionel Van Lare Dosoo	3,750	0.0016

20 LARGEST SHAREHOLDERS

Name	No. of shares	% holding
1. ECOBANK TRANSNATIONAL INCORPORATED	202,129,934	87.8
2. GHANA REINSURANCE CO LTD	3,895,030	1.7
3. EDC STOCKBROKERS LTD.	3,257,718	1.4
4. SOCIAL SECURITY AND NATIONAL INSURANCE TRUST	2,168,814	0.9
5. ANGLOGOLD ASHANTI EMPLOYEES PROVIDENT FUND	1,496,056	0.7
6. BUCKNOR JUDE KOFI	1,373,298	0.6
7. TEACHERS FUND	1,519,779	0.7
8. ECOBANK GHANA LTD STAFF PROVIDENT FUND	363,173	0.2
9. GALTERE INTERNATIONAL MASTER FUND	347,652	0.2
10. BBGN/BARCLAYS MAURITIUS RE DEUT VICTOIRE AFRICA INDEX II IC.	283,147	0.1
11. GHANA COMMERCIAL BANK LTD	240,109	0.1
12. AKA, JEAN NELSON DR	220,000	0.1
13. BBGN UNILEVER GHANA MAN PEN FD	175,772	0.08
14. SIC LIFE CO LTD	173,750	0.08
15. HYDRO CARBON AFRICA G LTD	156,526	0.07
16. BBGN/BBH CUST DZ BNK INT.S.A LUX-SILK FD-AFRICAN LIONS FUND GHANA	156,400	0.07
17. ESL INVESTORS PORTFOLIO ACCOUNT	155,285	0.07
18. DONEWELL LIFE CO LTD	143,030	0.06
19. STATE INSURANCE COMPANY LIFE BUSINESS	136,010	0.06
20. GHANA NATIONAL ASSOCIATION OF TEACHERS	105,042	0.05

DRAFT RESOLUTIONS 2010

ORDINARY RESOLUTIONS

1. The General Meeting hereby adopts the Statement of Accounts of the Company for the year ended the 31st day of December, 2009 together with the reports of the Directors and Auditors thereon.

2. The General Meeting hereby approves the payment of dividend of GHS 0.18 per share and totaling GHS41.423 million on the 14th day of May, 2010 to members listed on the share register as of 19th April, 2010.

3. The General meeting hereby ratifies the appointment of Mr. Lionel Van Lare Dosoo as a Director for a 3 year term.

4 i. The General Meeting hereby re-elects Mrs. Mariam Gabala Dao whose mandate as Director has ended and who has offered herself for re-election for another 3 year term.

4 ii. The General Meeting hereby re-elects Mr. Adegboyega Oladapo Adekunle Ojora whose mandate as Director has ended and who has offered himself for re-election for another 3 year term.

4 iii The General Meeting hereby authorises the Directors to fix the remuneration of the Auditors.

5. The General Meeting hereby approves payment of remuneration not exceeding the sum of Gh¢420,000 to the Directors

ECOBANK GHANA LIMITED

PROXY FORM

I/WE, being a Member of the above-named Company hereby appoint or failing him the Chairman of the Meeting as my/our Proxy to vote on my/our behalf at the **Annual General Meeting (AGM)** of the Company to be held on **Friday, April 23, 2010 at 10.30 am prompt.**

DATED THE DAY OF APRIL, 2010.

.....
MEMBER

This Form is to be used in favour of/against the Resolutions set out in the Agenda:

1. **TO APPROVE ACCOUNTS.**
2. **TO DECLARE a Dividend.**
3. **TO RATIFY the appointment of MR. LIONEL VAN LARE DOSOO as a Director for a 3 year term:**
4. **TO REAPPOINT the following Directors whose Mandates have ended for another 3 year term:**
MRS. MARIAM GABALA DAO
MR. ADEGBOYEGA OLADAPO A. OJORA
5. **TO FIX REMUNERATION of Auditors.**
6. **TO FIX REMUNERATION of Directors.**

FOR	AGAINST

Please indicate with an "X" in the spaces above how you wish your vote to be cast. Unless otherwise instructed, the Proxy will vote as he thinks fit.

If executed by a body Corporate, this Proxy Form should bear the Common Seal of the Body Corporate and the signature of duly authorised Officers.

To be valid, this Proxy Form must be filled up signed and lodged (together with any authority under which it is signed) with the Registrars at Ghana Commercial Bank, Registrars office, Thorp Road, High Street, Accra, not later than 3.00 pm on Thursday 22nd April 2010.