

ANNUAL REPORT 2003



HFC BANK (GHANA) LIMITED.



“Eban”

Adinkra” symbols have proverbial meanings which reflect our daily endeavours. The symbol above “Eban” is a Ghanaian Traditional Adinkra symbol which represents a fenced home, depicting protection, security and safety.



HFC BANK (GHANA) LIMITED.

The new logo of the bank is the merging of the adinkra symbol “Eban” (which represents a fenced home depicting protection, security and safety) with the previous logo of Home Finance Company Limited representing the foundation and roof of a house.

This merged logo is a depiction of the fact that we have evolved from an institution whose main scope of operation was mortgage financing, investment management and savings mobilisation services into a bank that is primarily committed to broadening the scope of products and services that we will be offering our customers. The “Eban” symbol is an affirmation of the safety and soundness of the quality service, which we intend to continue to deliver to our customers.

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 13th Annual General Meeting of HFC Bank (Ghana) Limited will be held at The Novotel Hotel, Barnes Road, Accra at eleven (11:00) O'clock in the forenoon on Thursday, the 18th of March, 2004 to transact the following business:-

AGENDA

1. To receive the Chairman's Statement and the Managing Director's report on the operations of the Group for the year ended 31st December 2003.
2. To consider and approve consolidated Accounts and Financial Statements of HFC Bank (Ghana) Limited and its wholly owned subsidiary, HFC Investment Services Limited (HFCISL) for the financial year ended 31st December 2003 together with the Auditors' Report thereon.
3. To receive the Directors' report and approve their recommendation for the payment of dividend for the year ended 31st December, 2003.
4.
 - (a) To re-elect Directors
 - (b) To ratify the appointment of Mr. Ekundayo Austine Aikhorin as Executive Director in charge of Commercial Banking Division.
5. To authorize the Directors to approve the remuneration of the Auditors for the year 2004.

A member of the company is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not also be a member.

Proxies may be deposited at the Bank's Registered Office, Ebankese, No. 35, 6th Avenue, North Ridge, Accra, aforesaid 48 hours to the commencement of the meeting in accordance with the Bank's Regulations.

Dated this 16th day of February 2004.

BY ORDER OF THE BOARD

Mercy Waule Tetteh

COMPANY SECRETARY



Board of Directors, Officials and Registered Office

Directors

Nana Agyei Duku
Stephanie Baëta Ansah
Edusei Derkyi
Asare Akuffo
Sam Mensah
Ras Boateng
G. A. T. Oboh
Franklin Asafo-Adjei
O. N. Chionuma
Paul Koranteng
John Sey

(Chairman)
(Managing Director)
(Deputy Managing Director, Mortgage Operations.)
(Deputy Managing Director, Finance & Investment Banking)

(Appointed June 2003)

Secretary

Mercy Mamle Tetteh (Mrs.)
Ebankese
No. 35, Sixth Avenue, North Ridge, Accra

Registered Office

Ebankese
No. 35, Sixth Avenue, North Ridge, Accra
P.O. Box CT4603
Cantonments Accra.

Principal Place of Business

Ebankese
No. 35, Sixth Avenue, North Ridge, Accra
P.O. Box CT4603
Cantonments Accra.

Auditors

PricewaterhouseCoopers
Chartered Accountants
4th Floor, Gulf House
Legon Road, PMB CT 42
Cantonments Accra.





Left to Right:

Mr Paul Koranteng, Mr Edusei Derkyi (DMD, Mortgage Operations), Mr Ras Boateng, Mr Asare Akuffo (DMD, Finance & Investment Banking), Nana Agyei Duku (Chairman), Dr. Stephanie Baeta Ansah (Managing Director), Sir O. N. Chionuma, Mr. E. A. Aikhorin (Executive Director, Banking Operations), Dr. Sam Mensah, Mr. John Sey, Mrs Mercy M. Tetteh (Company Secretary). Not in picture: Dr. G.A.T Oboh and Mr. Franklin Asafo-Adjei.

REPORT OF THE DIRECTORS

The directors have the pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 December 2003.

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 group and of the profit or loss and cash flows for that period. In preparing these consolidated financial statements, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent and followed Ghana Accounting Standards.

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

Activities

On 17th November 2003, the company obtained a universal banking licence. It's principal activities over the year therefore were:

- i. to carry on the business of universal banking
- ii. to issue bonds and other financial instruments for mortgage financing for housing and commercial purposes
- iii. to undertake the management of investments including real estate and arrangement of capitalisation/financing Packages for its clientele.



Results

The group made a profit after tax of ₵18,227 million for the year ended 31 December 2003. The income surplus account amounted to ₵15,791 million. The directors consider the state of affairs of the group to be satisfactory.

Subsidiary

HFC Investment Services Limited, a company incorporated in Ghana to manage investments, including real estate and arrange capitalisation/financing package for its clientele, is a wholly owned subsidiary of the bank. Its results have been consolidated in these accounts.

Change of company name

By a special resolution of the board dated 11 June 2003 and the approval of the Registrar of Companies, Home Finance Company Limited changed its name to HFC Bank (Ghana) Limited.

Dividends

The directors recommend the payment of a dividend of ₵70 per share (2002: ₵48), amounting to ₵7,073 million (2002: ₵3,843 million) for the year ended 31 December 2003.

Auditors

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

Nana Agyei Dulcy

Chairman

Stephanie Baeta Aboah

Managing Director:

Date: 16th February, 2004



Introduction

HFC Bank (Ghana) Limited is committed to the principles and implementation of good corporate governance. The bank recognizes the valuable contribution that it makes to long-term business prosperity and to ensuring accountability to its shareholders. The bank is managed in a way that maximizes long-term shareholder value and takes into account the interests of all of its stakeholders.

HFC Bank (Ghana) Limited believes that full disclosure and transparency in its operations are in the interests of good governance. As indicated in the statement of responsibilities of directors and notes to the accounts, the bank adopts standard accounting practices and ensures sound internal control to facilitate the reliability of the financial statements.

The Board of Directors

The Board is responsible for setting the bank's strategic direction, for leading and controlling the bank and for monitoring activities of the executive management. The Board presents a balanced and understandable assessment of the bank's progress and prospects.

The Board consists of a Non-Executive Chairman, five (5) Non-Executive Directors and three (3) Executive Directors. The Non-Executive Directors are independent of management and free from any constraints, which could materially interfere with the exercise of their independent judgment. They have experience and knowledge of the industry, markets, financial and/or other business information to make a valuable contribution to the bank's progress. The Managing Director is a separate individual from the Chairman and she implements the management strategies and policies adopted by the Board. They meet at least three times a year.

The Audit Committee

The Audit Committee is made up of three (3) Non-Executive Directors. The committee meets on a quarterly basis. The main Board determines its terms of reference.

The duties of the Audit Committee include; keeping under review the scope and results of the audit, as well as the independence and objectivity of the auditors. The Audit Committee also keeps under review internal financial controls, risk management, compliance with laws and regulations and the safeguarding of assets. The Audit Committee also reviews the adequacy of the plan of the internal audit and reviews its audit reports.

Systems of internal control

HFC Bank (Ghana) Limited has a well-established internal control system for identifying, managing and monitoring risks. These are designed to provide reasonable assurance that the risks facing the bank are being controlled.

The corporate internal audit function of the bank plays a key role in providing an objective view and continuing assessment of the effectiveness of the internal control systems in the business. The system of internal controls are implemented and monitored by appropriately trained personnel and their duties and reporting lines are clearly defined.

Code of business ethics

The directors have communicated the principles in the bank's Code of Conduct to its employees in the discharge of their duties. This code sets the professionalism and integrity standards required for the bank's operations which covers compliance with the law, conflicts of interest, environmental issues, reliability of financial reporting, bribery and strict adherence to the principles so as to eliminate the potential for illegal practices.





GC 100 Award for being the 'Leader' in the Non-bank Financial Institutions Sector in the year 2001.



GC 100 Award for being one of the fastest growing companies in Ghana for the year 2001.



HFC was ranked 17th on the Ghana Club 100 list.





Nana Agyei Duku

Dear Shareholders

Ladies and Gentlemen

Invited Guests,

I welcome you warmly to this year's Annual General Meeting, which is a landmark for us being the first Annual General Meeting since we diversified into full banking and changed our name to HFC Bank (Ghana) Limited, having acquired a universal banking license.

The Economy in 2003

In 2003, the Ghanaian economy continued to enjoy a measured level of stability, despite a number of setbacks during the year. Real GDP continued to increase, albeit at a slow rate increasing from 4.5 per cent to 5.2 per cent, compared to a target of 4.7 percent for 2003. Inflation for 2003 was higher at 23.6 per cent compared to a revised target of 22.0 per cent. This was obviously a source of concern for businesses during the year.

The local currency continued to depreciate against the major currencies, although at a slower rate than in the previous year. In 2003, the cedi depreciated by 5.4 per cent against the US Dollar, 16.7 per cent against the Pound Sterling and 26.9 per cent against the Euro. Interest rates on treasury bills started declining from their peak in July, with the benchmark 91-day treasury bill rate decreasing from 35.9 per cent in July 2003 to 18.4 per cent at the end of December, 2003.

Government had to take tough economic measures during the past year. In particular, the decision to remove fuel subsidies reduced government expenditure substantially. This, with improved revenues, enabled Government to reduce the level of borrowing from the banking system.

International Scene

Economic recovery in 2003 was temporarily delayed by tensions in the weeks leading to the start of the Iraq war. However, the major economies witnessed growth, especially from the latter half of the year, in response to very low interest rates.

Major hostilities might have been said to be over in prosecuting the Iraq war; but peace in that country is yet to be restored. The crisis in the Middle East is still unresolved. These events continue to impact negatively on world oil prices which in turn had serious implications for the economies of non-oil producing countries such as ours.

The security situation in our sub-region, specifically in Sierra Leone, Liberia and Cote d'Ivoire, is now returning to normalcy due to the untiring efforts of our President and the help of the international community. Sierra Leone now has a civilian government in place. In Liberia, the combatants are being disarmed, and in Cote d'Ivoire both sides of the conflict have started disarming their men.

The conflict in Cote d'Ivoire had a number of socio-economic consequences on our country. The influx of refugees impacted negatively on government finances and the re-routing of imports by the landlocked neighbouring countries (Burkina Faso, Mali and Niger) through the Tema port contributed to the increased level of diesel consumption in



the country. However, the port of Tema generated additional revenue from the increased use of its facilities.

Operations

In converting from a non-bank financial institution to a fully-fledged bank, we have entered a more competitive playing field but are confident that we are well prepared for the challenge ahead of us.

The bank's total assets amounted to ₵520.1 billion, composed mainly of mortgages of ₵193.7 billion (or 37.2 per cent), and other loans and advances of ₵20.1 billion (or 3.9 per cent). The bank's deposit liabilities were ₵111.9 billion. Profit After Tax was ₵18.2 billion.

Dividend

Based on the bank's operating results for 2003, the Directors have proposed the payment of ₵70 per share as dividend, representing a payout of approximately 40% per cent. This is an indication of the Directors' confidence that despite the competitiveness of the banking industry, HFC Bank is well positioned to hold its own in a market that needs innovation.

Appointment Of Directors

During the year, a new non-executive Director was appointed to represent Union Bank of Nigeria Plc (UBN) which holds 19.96% of our shares. We welcome to the Board Dr. G.A.T. Oboh, Group Managing Director of UBN Plc.

Appreciation

May I take this opportunity to thank all my colleagues on the Board for their professionalism and support during the past year. I would like also to thank Dr Stephanie Baeta Ansah and her two able deputies for their singular effort to accomplish the task of transforming HFC to a universal banking institution. My gratitude also goes to all the members of staff through whose efforts the bank has come this far. I am confident that the fruitful working relationship we have will ensure that we take your bank to even greater heights.

I would also like to express my gratitude to you the shareholders for your faith and trust in the Board of Directors especially in the pursuit of our vision to acquire a banking license and for the success of the two rights issues.

I can assure you all that when we report a full year of banking operations in 2004, the rewards of your investment in this bank will be patently apparent.

HFC Bank (Ghana) Limited could not have come this far without the support of our regulators: Bank of Ghana, Ghana Stock Exchange, and Securities and Exchange Commission. Their comments and encouragement have been extremely beneficial in the success recorded to date and I sincerely thank them.

Finally, I would like to express my gratitude to our customers who have supported us with their business in the past year. We are continuously mindful of the fact that we would not exist without your business. We intend to continue to serve you with increasingly efficient customer service delivery and innovative products.

Thank you

Nana Agyei Dulcu

CHAIRMAN





Dr. Stephanie Baeta Ansah

Nana Chairman
Fellow Directors and
Distinguished Shareholders

New License

I am delighted to confirm to you distinguished shareholders, that Bank of Ghana has finally issued us with a universal banking license. As you can see, we are now known as HFC Bank (Ghana) Limited, having received all the necessary documentation from the Bank of Ghana and the Registrar-General's Department. This new status is the culmination of a lengthy process of re-capitalization and careful negotiations with the Bank of Ghana. We are fully satisfied with the final outcome of our efforts to diversify the business base of the company. We have been unwavering in our resolve and efforts to evolve into a bank, primarily because banking is complementary to our home loans business and also because it would enable us to diversify our funding and income sources for the benefit of the company and ultimately, our valued shareholders.

Before the Banking license was issued, we set up a Steering Committee within HFC that did a commendable job in handling all the necessary preparatory work, including writing operational manuals and designing the requisite forms and stationery for our new banking business.

Business Premises And Branch Network

Extension work was carried out at 'Ebankese' our head office, to create a suitable banking hall. As a result of the extension work, customers are able to conduct banking and investment transactions in a much more comfortable and secure area. The remodeled 'Ebankese' branch was commissioned and dedicated on 19th November 2003. We were without a doubt ready for banking business when the universal banking license was delivered to us on 27th November 2003. The Accra Central branch of your bank was dedicated in January 2004. Opening of the main branch in the Ridge Ambassadorial Business Area, Accra and the official commissioning of the universal banking business will take place on Friday, 19th March 2004 at 3.00 p.m. We expect the Kumasi Office to offer full banking business by June 2004 and Tema in 2005.



Commissioning and dedication of the Ebankese Branch. The Chairman of the Board of Directors, Nana Agyei Duku, cutting the tape to commission the Ebankese Branch. Looking on are (left to right) Mr Ras Boateng, Sir O. N. Chionuma, Dr. Stephanie Baeta Ansah (Managing Director), Mr. Edusei Derkyi (DMD, Mortgage Operations), and Mr Asare Akuffo (DMD, Finance and Investment Banking)



Managing Director's Report Continues

Management has drawn up extensive plans to selectively set up additional branches in Accra and other parts of the country within the constraints of regulations and need. Branch expansion will occur in areas where synergy with existing operations can be realized, and we are intent on delivering, excellent customer service in each of our branches.

Our Business

So, from very humble beginnings in July 1991, (as a special purpose vehicle to manage the funds of the SSNIT/IDA funded pilot housing finance scheme under the Government of Ghana Urban II programme), HFC has evolved from a non-bank financial institution engaged in mortgage financing, investment management and savings mobilization to HFC Bank (Ghana) Limited, a fully-fledged universal bank. We are intent on delivering a broad range of financial services, personal, business and corporate banking, spanning retail and wholesale banking. In addition to long-term financing, we have placed ourselves in a position to offer short and medium-term finance to meet the needs of our esteemed clients. Our wholly-owned subsidiary company, HFC Investment Services Limited, will continue to engage in integrated investment services as a natural strategic fit to the core activities of the bank.

Indeed, we intend to make our subsidiary even more competitive by adding the management of a new fund, the HFC Equity Fund to the list of existing Managed Funds. We shall as well be providing a wide range of corporate finance and wealth management services.

A New Logo

We have chosen for our bank a new logo to reflect our changed status. The new logo is a fusion of the adinkra symbol, 'Eban', with the original logo of HFC to serve as a reminder and affirmation of the hallmark quality service that we intend to continue to deliver to our customers.



Technical Assistance & Staff Training

In recognition of the intense competition in the field of universal banking, we have in the past year placed a lot more emphasis on the training and development of our most important resource- the HFC employee.

In this regard, a senior official from Union Bank of Nigeria Plc. (UBN) has been seconded to the bank under a Technical Services Agreement, which also provides for other expertise to be furnished to the company by UBN. In addition, core members of our staff have undergone comprehensive training with UBN in Lagos, Nigeria and in London, with one of our correspondent banks. Other employees are scheduled to undergo diverse training programmes with a view to ensuring the highest standards of professionalism and technical competence. The challenges ahead offer us the opportunity of harnessing the full potentials of our management and staff.

Overview of the Year's Performance

The Bank's year end profit before tax was ₵19.3 billion, representing a 90.7% increase over the previous year's figure and a 12% increase over the budget figure. The marked improvement in performance was on account of efficient management of the bank's enhanced liquidity position. The profit figure is net of additional provision for doubtful debts of ₵4.5 billion during the year. Although the recoveries of home loans improved considerably in 2003, the relatively high level of provisioning was in respect of construction finance loans. Management continues to address this problem diligently.



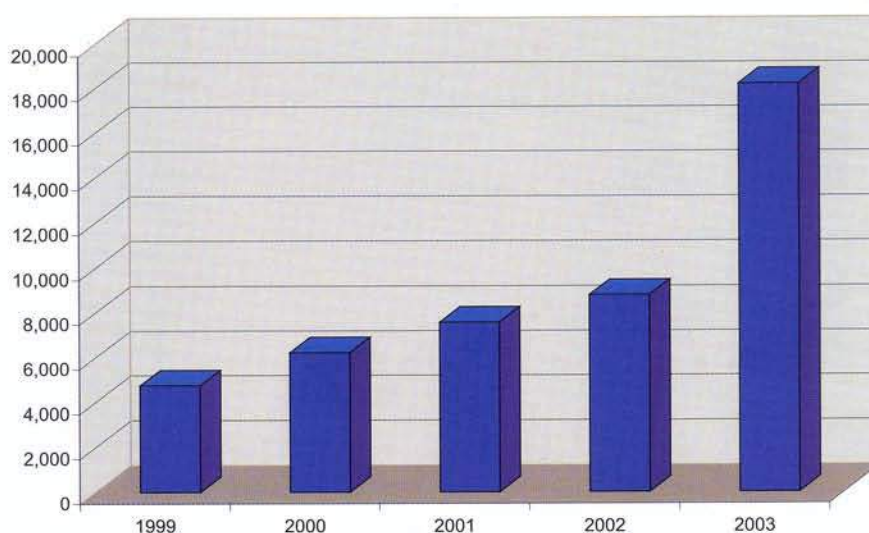
The Bank's shareholders' funds also increased from ₵60.0 billion at the beginning of the year, to ₵92.7 billion, after providing ₵7.1 billion for dividend payment. This level of capitalization is for the mean time, considered adequate for the Bank's current level of business.

As a result of increased demand for the Bank's shares on the stock market, the share price increased by 319% from ₵955 at the beginning of the year, to ₵4,000 as at 31st December 2003.

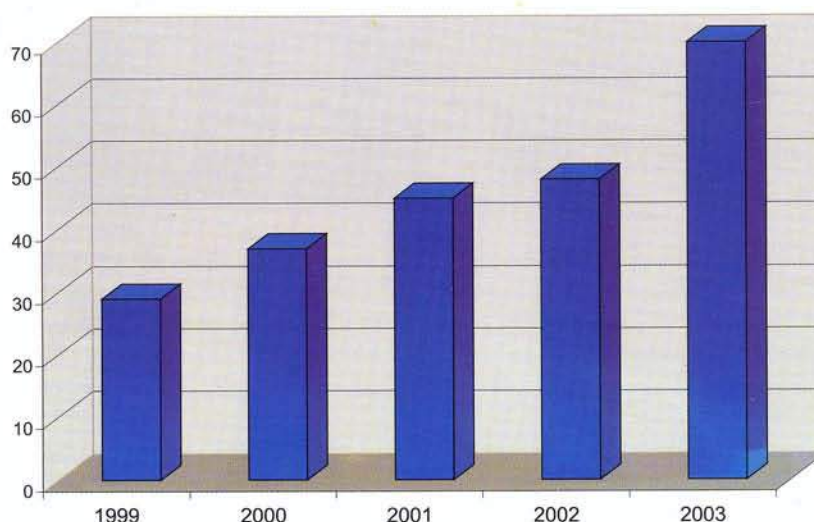
It is worth noting, that based on its year 2001 performance, HFC was ranked 17th on the Ghana Club 100 list, and also won the following awards:-

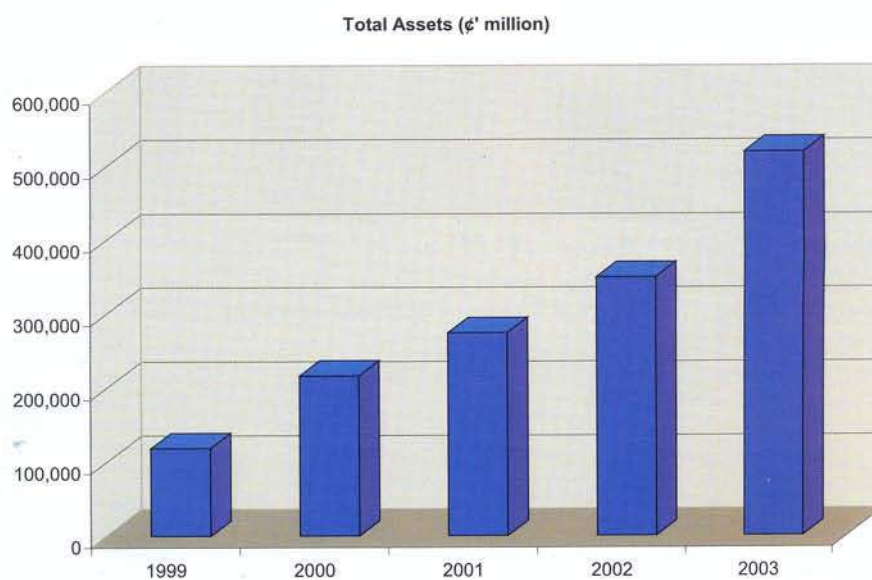
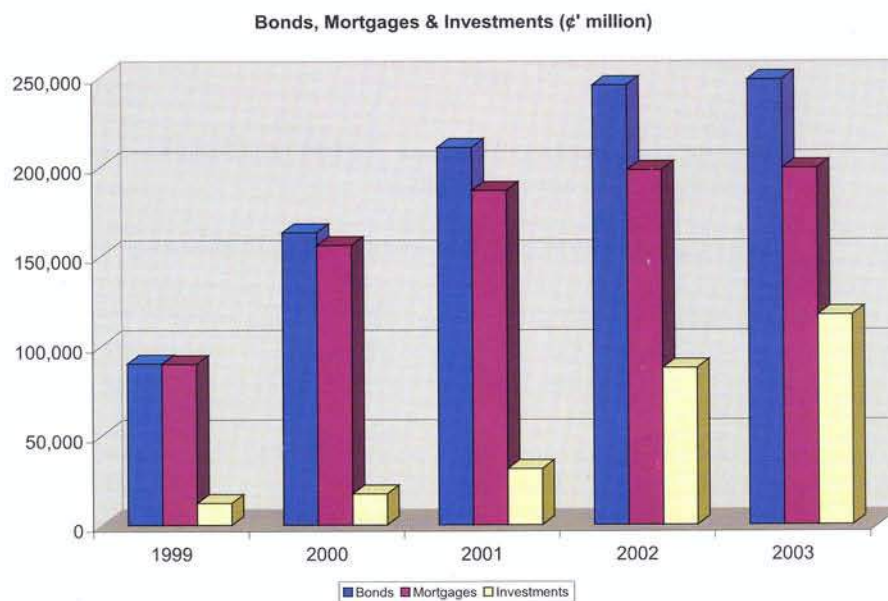
- GC 100 Award for being one of the fastest growing companies in Ghana for the year 2001, and
- GC 100 Award for being the 'Leader' in the Non-bank Financial Institutions Sector in the year 2001.

Profit After Tax (₵' million)

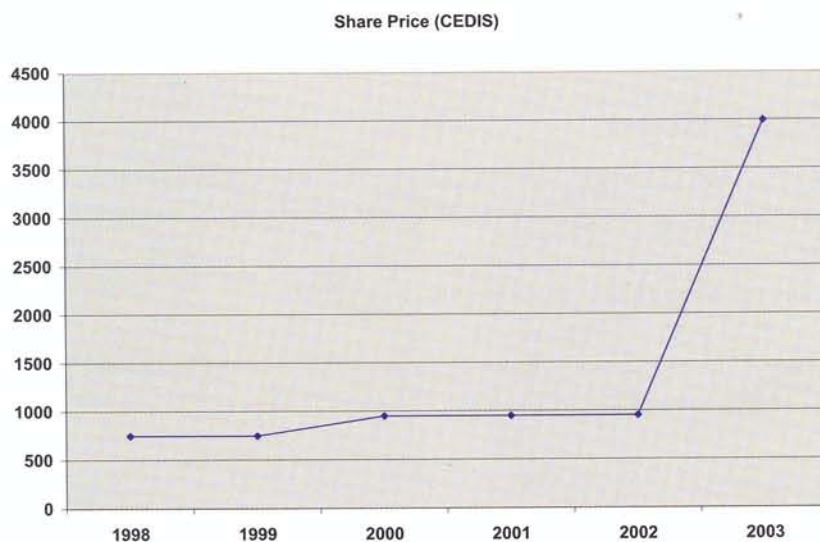


Dividend Per Share





Managing Director's Report Continues



Information & Communication Technology & Training



Group photograph of HFC and UBN staff at UBN's Staff Training Centre, Yaba, Lagos, Nigeria.

Mr. Chairman, we are aware of the benefits of technology in the banking business. To this end, we have invested heavily on a brand of information technology that can effectively support our business. In the few weeks of operation as a bank, that technology has proved to be reliable for our needs. Management proposes to continue to train, develop and equip our employees to make efficient use of the features of the banking software in order to be in a position to render excellent service to our customers. In addition, we intend to network all branches as and when they open up for business.

Acknowledgments

We would like to acknowledge the invaluable assistance and support of Bank of Ghana, to date. Our gratitude also goes to our customers, other regulators, the Securities and Exchange Commission and the Ghana Stock Exchange. Again, we extend our gratitude to both the Board of Directors as well as to you, our shareholders for your loyalty and commitment to HFC over the years. Finally, we thank colleague management and staff, particularly the Steering Committee, for their hard work and dedication.

Thank you.

Stephanie Baeta Acheal

MANAGING DIRECTOR

Annual Report 2003

Report Of The Auditors to the Members of HFC Bank (Ghana) Limited and its Subsidiary

We have audited the consolidated financial statements of HFC Bank (Ghana) Limited and its subsidiary on pages 16 to 48 which have been prepared in accordance with the accounting policies, set out on pages 20 to 24.

Respective responsibilities of directors and auditors

As stated on page 3, the directors are responsible for the preparation of the consolidated financial statements. It is our responsibility to form an independent opinion, based on our audit, on these statements and to report our opinion to you.

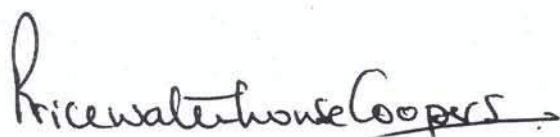
Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examination, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

Opinion

In our opinion, the group's transactions were within its powers, proper books of account have been kept and the consolidated financial statements which are in agreement therewith give a true and fair view of the state of affairs of the bank and its subsidiary at 31 December 2003 and of the profit and cash flows of the bank and its subsidiary for the year then ended in accordance with Ghana Accounting Standards, and comply with the Ghana Companies Code, 1963 (Act 179) and the Banking Law, 1989 (PNDC Law 225).



Chartered Accountants

Accra

18th February, 2004



Consolidated Profit And Loss Account

(All amounts are expressed in thousands of cedis)

		Year ended 31 December			
	Notes	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
Interest income	1	83,636,000	83,800,388	52,900,805	53,075,190
Interest expense	2	(43,365,505)	(43,365,505)	(30,779,508)	(30,779,508)
Net interest income		40,270,495	40,434,883	22,121,297	22,295,682
Fee and commission income		813,147	3,531,756	478,360	2,169,835
Other operating income	3	1,131,989	1,131,989	3,460,998	3,628,704
Operating income		42,215,631	45,098,628	26,060,655	28,094,221
Operating expenses	4	(20,580,707)	(22,985,986)	(13,749,932)	(15,275,935)
Bad and doubtful debts expense	14	(4,518,751)	(4,518,751)	(3,113,899)	(3,113,899)
Operating profit		17,116,173	17,593,891	9,196,824	9,704,387
Other income	6	1,721,895	1,747,419	436,739	436,739
Profit before National Reconstruction Levy and tax		18,838,068	19,341,310	9,633,563	10,141,126
National Reconstruction Levy	7	(941,903)	(954,483)	(88,065)	(99,177)
Tax	8	(40,201)	(160,201)	(995,340)	(1,235,853)
Profit after tax transferred to income surplus accounts		17,855,964	18,226,626	8,550,158	8,806,096
CONSOLIDATED INCOME SURPLUS ACCOUNT					
Balance at 1 January		11,196,859	14,457,992	7,395,984	10,401,179
Profit for the year		17,855,964	18,226,626	8,550,158	8,806,096
		29,052,823	32,684,618	15,946,142	19,207,275
Transfer to statutory reserve fund	28	(8,927,982)	(8,927,982)	(1,282,524)	(1,282,524)
Transfer from capital surplus account	29	-	-	803,581	803,581
Transfer to housing development fund	30	(892,798)	(892,798)	(427,508)	(427,508)
Proposed dividend for the year	9	(7,072,660)	(7,072,660)	(3,842,832)	(3,842,832)
Balance at 31 December		12,159,383	15,791,178	11,196,859	14,457,992

The accounting policies and notes on pages 20 to 48 form an integral part of these financial statements.



Consolidated Balance Sheet

(All Amounts Are Expressed In Thousands Of Cedis)

At 31 December

Assets	Notes	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
Cash and balances with Bank of Ghana	10	6,265,717	6,265,717	-	-
Due from other banks	11	29,040,571	29,633,479	6,146,321	7,148,618
Government securities	12	92,694,705	92,694,705	52,920,297	52,920,297
Interest receivable and other assets	13	31,729,859	33,497,406	5,665,600	7,471,363
Loans and advances to customers	14	213,752,925	213,752,925	224,307,196	224,307,196
Investment securities	15	1,915,394	1,915,394	988,128	988,128
Other short term investments	16	110,287,857	115,129,060	33,104,831	34,629,777
Investment in subsidiary and associated companies	17	1,497,727	1,397,727	1,647,728	1,547,728
Tax	22	1,419,583	948,960	193,442	-
Investment properties	18	-	953,646	-	953,646
Property and equipment	19	23,294,577	23,868,734	19,253,090	19,987,493
Total assets		511,898,915	520,057,753	344,226,633	349,954,246
Liabilities					
Cash and balances with Bank of Ghana	10	-	-	194,753	194,753
Customer deposits	20	107,831,877	111,909,709	33,475,012	33,475,012
Due to banks and other financial institutions		8,571,000	8,571,000	-	-
Interest payable and other liabilities	21	15,104,768	15,553,979	8,594,109	10,903,408
Tax	22	-	-	-	157,181
Deferred credit	24	-	-	47,445	47,445
Long term bonds	25	248,397,891	248,397,891	242,692,178	242,692,178
Long term loans	26	42,932,340	42,932,340	2,497,414	2,497,414
Total liabilities		422,837,876	427,364,919	287,500,911	289,967,391
Shareholders' funds					
Stated capital	27	46,526,616	46,526,616	25,894,182	25,894,182
Income surplus account		12,159,383	15,791,178	11,196,859	14,457,992
Statutory reserve fund	28	13,476,207	13,476,207	4,548,225	4,548,225
Capital surplus account	29	11,644,320	11,644,320	11,644,320	11,644,320
Housing development assistance fund	30	2,510,999	2,510,999	1,618,201	1,618,201
Share deals account	31	2,743,514	2,743,514	1,823,935	1,823,935
		89,061,039	92,692,834	56,725,722	59,986,855
Total liabilities and shareholders' funds		511,898,915	520,057,753	344,226,633	349,954,246

The consolidated financial statements on pages 20 to 48 were approved by the Board of Directors on 16th February, 2004 and signed on its behalf by:

Chairman:

Nana Agyei Dulcu

Managing Director:

Stephanie Baeta Aboah

Consolidated Cash Flow Statement

(All Amounts Are Expressed In Thousands Of Cedis)

	Notes	Year ended 31 December	
		2003	2002
Operating activities			
Net cash generated from operations	38	117,240,595	42,645,947
Interest paid		(8,916,294)	(8,584,243)
Tax paid	22	(1,266,342)	(1,180,733)
Net cash generated from operating activities		107,057,959	32,880,971
Investing activities			
Purchase of property and equipment	19	(7,184,280)	(2,361,960)
Proceeds from sale of property and equipment	19	44,582	1,564,699
Purchase of government securities		(42,751,288)	(19,844,584)
Purchase of other investments		(80,499,283)	(44,780,652)
Purchase of bond		(1,600,000)	-
Bond repayment		672,734	-
Net cash used in investing activities		(131,317,535)	(65,422,497)
Financing activities			
Dividend paid	9	(3,842,832)	(2,528,055)
Proceeds from the issue of bonds	25	-	10,489,934
Redemption of bonds	25	(17,784,630)	(14,012,215)
Loans received	26	40,434,926	-
Proceeds from rights issue	27	-	17,628,901
Proceeds from the issue of shares	27	20,054,180	-
Purchase of own shares	31	(361,408)	-
Proceeds from the issue of treasury shares	31	2,578,537	36,124
Proceeds from share options exercised	40	578,254	171,280
Net cash generated from financing activities		41,657,027	11,785,969
Increase/(decrease) in cash and cash equivalents		17,397,451	(20,755,557)
Movement in cash and cash equivalents			
At 1 January		10,117,215	30,872,772
Increase/(decrease) during the year		17,397,451	(20,755,557)
At 31 December	39	27,514,666	10,117,215

The accounting policies and notes on pages 20 to 48 form an integral part of these financial statements



Consolidated Statement Of Changes In Equity

(All Amounts Are Expressed In Thousands Of Cedis)

	Stated capital	Income surplus account	Statutory Reserve fund	Capital surplus account	Housing development assistance fund	Share deals account	Total
Year ended 31 December 2003							
At 1 January 2003	25,894,182	14,457,992	4,548,225	11,644,320	1,618,201	1,823,935	59,986,855
Net profit	-	18,226,626	-	-	-	-	18,226,626
Transfer to statutory reserve fund	-	(8,927,982)	8,927,982	-	-	-	-
Transfer to Housing development assistance fund	-	(892,798)	-	-	892,798	-	-
Purchase of treasury shares	-	-	-	-	-	(361,408)	(361,408)
Issue of treasury shares	-	-	-	-	-	2,578,537	2,578,537
Proposed dividend	-	(7,072,660)	-	-	-	-	(7,072,660)
Profit on issue of treasury shares	-	-	-	-	-	(1,297,550)	(1,297,550)
Issue of shares	20,632,434	-	-	-	-	-	20,632,434
At 31 December	46,526,616	15,791,178	13,476,207	11,644,320	2,510,999	2,743,514	92,692,834
Year ended 31 December 2002							
At 1 January 2002	8,094,001	10,401,179	3,265,701	12,447,901	1,190,693	1,787,811	37,187,286
Net profit	-	8,806,096	-	-	-	-	8,806,096
Transfer to statutory reserve fund	-	(1,282,524)	1,282,524	-	-	-	-
Transfer to Housing Development assistance fund	-	(427,508)	-	-	427,508	-	-
Transfer to income surplus	-	803,581	-	(803,581)	-	-	-
Issue of treasury shares	-	-	-	-	-	36,124	36,124
Proposed dividend	-	(3,842,832)	-	-	-	-	(3,842,832)
Issue of shares	17,800,181	-	-	-	-	-	17,800,181
At 31 December	25,894,182	14,457,992	4,548,225	11,644,320	1,618,201	1,823,935	59,986,855

The accounting policies and notes on pages 20 to 48 form an integral part of these financial statements



The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

(a) *Basis of preparation*

The consolidated financial statements have been prepared in accordance with, and comply with, Ghana Accounting Standards and the principles of historical cost convention as modified by the revaluation of landed property. The accounting policies adopted are consistent with those of the previous year.

(b) *Consolidation*

Subsidiary undertakings, which are those companies in which the group directly or indirectly has power to exercise control over financial and operating policies have been consolidated. Subsidiary undertakings are consolidated from the date on which effective control is transferred to the Group and no longer consolidated on disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. The accounting policies for the subsidiary are consistent with the policies adopted by the bank.

(c) *Income recognition*

Income is recognised in the period in which it is earned except for dividends, which are recognised when declared. Interest income on loans that are considered doubtful is suspended and excluded from income until it is received. Interest income includes coupons earned on fixed income investment securities and accrued discounts on treasury bills.

(d) *Property and equipment*

Land and buildings are stated at valuation less accumulated depreciation. Furniture, equipment and motor vehicles are stated at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write off the cost/gross value of property and equipment over their useful lives. The principal rates used for these purposes are:

Building	2%
Furniture and equipment	20%
Motor vehicles	20%
Computers	33 1/3%

(e) *Investment properties*

Investment property, principally comprising residential buildings is held for rental yields and is not occupied by the group. Investment property is treated as a long term investment and is carried at cost.

(f) *Translation of foreign currencies*

Transactions in foreign currencies during the year are converted into cedis at rates prevailing at the time of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into cedis at the exchange rate ruling at that date. Gains and losses resulting from the conversion and translation are dealt with in the profit and loss in the year in which they arise.



(m) *Trading securities*

Trading securities are securities, which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at cost (which includes transaction costs) and subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in net trading income. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in dividend income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset.

(n) *Originated loans and provisions for loan impairment*

Loans originated by the bank by providing money directly to the borrower or to a sub-participation agent at draw down are categorised as loans originated by the bank and are carried at amortised cost. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognised when cash is advanced to borrowers.

A credit risk provision for loan impairment is established if there is objective evidence that the bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component. When a loan is uncollectable, it is written off against the related provision for impairments. Subsequent recoveries are credited to the bad and doubtful debt expense in the income statement.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the bad and doubtful debt expense.

(o) *Provision for bad and doubtful debts*

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

The provisions are made in respect of those advances that have been individually reviewed and specifically identified as bad or doubtful. In determining the level of provision required, the directors consider numerous factors including, but not limited to, domestic economic



Accounting Policies (continued)

(o) Provision for bad and doubtful debts (continued)

conditions, the composition of the advance portfolio and prior bad debt experience. When the advance is deemed uncollectable it is written off against the related bad debt provision.

Provision for bad and doubtful debts on the residential mortgage portfolio is made on the basis of the rules summarised below:

- i) Where instalments are past due for more than six months but not exceeding 2 years, the loans are classified as sub-standard and are provided for at 10% of the total loan outstanding
- ii) Where instalments are past due for a period exceeding 2 years, the loans are classified as doubtful and a provision of 100% of the amount outstanding less the value of the property is made.
- iii) The following provisions being a percentage of the property value, are also made:

Doubtful for less than 36 months	- 20% of the property value
Doubtful for 36 months but less than 60 months	- 30% of the property value
Doubtful for more than 60 months	- 50% of the property value
- (iv) All losses identified on the portfolio are written off.

(p) Investment securities

Investment securities are classified into the following two categories: held-to-maturity and available-for-sale assets. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investment securities 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 are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Held-to-maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

Investment securities are initially recognised at cost (which includes transaction costs). Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared.

All regular way purchases and sales of investment securities are recognised at trade date, which is the date that the Group commits to purchase or sell the asset.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared.



(q) Fee and commission income

Fees and commissions are generally recognised on an accrual basis. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction.

(r) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid, investments and bank overdrafts.

(s) Interest and investment income

Interest and investment income are generally recognised on an accrual basis

(t) Post balance sheet events

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



Notes To The Consolidated Financial Statements

(All Amounts In The Notes Are Expressed In Thousands Of Cedis Unless Otherwise Stated)

1. Interest income

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
Commercial loans and advances	4,571,456	4,571,456	6,148,601	6,148,601
Mortgage loans	33,906,692	33,906,692	30,868,306	30,868,306
Government securities	44,930,587	45,094,093	15,745,502	15,897,487
Cash and short term funds	227,265	228,147	138,396	160,796
	<u>83,636,000</u>	<u>83,800,388</u>	<u>52,900,805</u>	<u>53,075,190</u>

2. Interest expense

Bonds	28,357,485	28,357,485	28,982,455	28,982,455
Loans	1,844,685	1,844,685	-	-
Time and other deposits	13,163,335	13,163,335	1,797,053	1,797,053
	<u>43,365,505</u>	<u>43,365,505</u>	<u>30,779,508</u>	<u>30,779,508</u>

3. Other operating income

Gain on exchange	866,204	866,204	2,621,534	2,720,786
IDA grant income	47,445	47,445	69,357	69,357
Others	218,340	218,340	770,107	838,561
	<u>1,131,989</u>	<u>1,131,989</u>	<u>3,460,998</u>	<u>3,628,704</u>

4. Operating expenses

The following items are included within operating expenses:

Staff costs	6,157,751	7,475,678	5,322,178	5,333,290
Depreciation (Note 19)	3,076,285	3,281,290	1,565,268	1,752,184
Directors' emoluments	1,755,573	1,811,084	1,058,585	1,140,449
Auditors' remuneration	100,000	125,000	70,000	90,000
Amount spent on fulfilling social responsibility	166,591	166,591	43,960	43,960



Notes To The Consolidated Financial Statements (continued)

(All Amounts In The Notes Are Expressed In Thousands Of Cedis Unless Otherwise Stated)

5. Staff costs

	The Bank 2003	The Group 2002	The Bank 2002	The Group 2002
Wages and salaries	3,232,048	4,039,392	2,952,977	3,656,814
Social security benefits	753,281	873,136	527,275	588,503
Other staff benefits	2,172,422	2,563,150	1,841,926	1,087,973
	<u>6,157,751</u>	<u>7,475,678</u>	<u>5,322,178</u>	<u>5,333,290</u>

The average number of persons employed by the group during the year was 116 (2002: 92)

6. Other income

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
Profit on disposal of assets	22,833	22,833	436,739	436,739
Sundry income	1,699,062	1,724,586	-	-
	<u>1,721,895</u>	<u>1,747,419</u>	<u>436,739</u>	<u>436,739</u>

7. National Reconstruction Levy

The National Reconstruction Levy is assessed under the National Reconstruction Levy 2002 (Act 579) at 5% and 2.5% on profit before tax for the bank and subsidiary respectively.

The Bank	Balance 1/1/03	Charge for the year	Payments during the year	Balance 31/12/03
2003	<u>-</u>	<u>941,903</u>	<u>(766,350)</u>	<u>175,553</u>
The Group				
2002	32,467	-	-	32,467
2003	<u>-</u>	<u>954,483</u>	<u>(783,479)</u>	<u>171,004</u>
	<u>32,467</u>	<u>954,483</u>	<u>(783,479)</u>	<u>203,471</u>



Notes To The Consolidated Financial Statements (continued)
(All Amounts In The Notes Are Expressed In Thousands Of Cedis Unless Otherwise Stated)

8. Tax

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
Current tax	905,944	1,025,944	701,460	941,973
Deferred income tax (Note 23)	<u>(865,743)</u>	<u>(865,743)</u>	<u>293,880</u>	<u>293,880</u>
	<u>40,201</u>	<u>160,201</u>	<u>995,340</u>	<u>1,235,853</u>

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

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
Profit before tax and National Reconstruction Levy	<u>18,838,068</u>	<u>19,341,310</u>	<u>9,633,563</u>	<u>10,141,126</u>
Tax calculated at a rate of 30% and 32.5% for the bank and subsidiary respectively	5,651,420	5,836,980	2,890,069	3,031,817
Tax effect of:				
Income not subject to tax	(4,860,021)	(4,925,581)	(2,885,374)	(2,786,609)
Expenses not deductible for tax purposes	<u>114,545</u>	<u>114,545</u>	<u>696,765</u>	<u>696,765</u>
Deferred income tax	<u>905,944</u> <u>(865,743)</u>	<u>1,025,944</u> <u>(865,743)</u>	<u>701,460</u> <u>293,880</u>	<u>941,973</u> <u>293,880</u>
Tax charge	<u>40,201</u>	<u>160,201</u>	<u>995,340</u>	<u>1,235,853</u>

9. Dividend

At 1 January	3,842,832	3,842,832	2,528,055	2,528,055
Proposed dividend	<u>7,072,660</u>	<u>7,072,660</u>	<u>3,842,832</u>	<u>3,842,832</u>
	10,915,492	10,915,492	6,370,887	6,370,887
Dividend paid	<u>(3,842,832)</u>	<u>(3,842,832)</u>	<u>(2,528,055)</u>	<u>(2,528,055)</u>
At 31 December	<u>7,072,660</u>	<u>7,072,660</u>	<u>3,842,832</u>	<u>3,842,832</u>

Payment of dividend is subject to the deduction of withholding taxes at a rate of 10%.



10. Cash and balances with Bank of Ghana

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
Cash in hand	3,178,792	3,178,792	581,604	581,604
Balances with Bank of Ghana	<u>3,086,925</u>	<u>3,086,925</u>	<u>(776,357)</u>	<u>(776,357)</u>
	<u>6,265,717</u>	<u>6,265,717</u>	<u>(194,753)</u>	<u>(194,753)</u>

Balances with Bank of Ghana include the mandatory reserve deposit of ₵3,087 million. These funds are not available for use in the bank's day to day operations and does not attract interest.

11. Due from other banks

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
Placements	<u>29,040,571</u>	<u>29,633,479</u>	<u>6,146,321</u>	<u>7,148,618</u>

12. Government securities

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
Treasury bills and bonds:				
Maturing within 90 days of the date of acquisition	186,470	186,470	3,163,350	3,163,350
Maturing after 90 days of the date of acquisition	<u>92,508,235</u>	<u>92,508,235</u>	<u>49,756,947</u>	<u>49,756,947</u>
	<u>92,694,705</u>	<u>92,694,705</u>	<u>52,920,297</u>	<u>52,920,297</u>

Treasury bills are debt securities issued by the Bank of Ghana for a term of three months, six months or a year and are classified as available for-sale investments. Bills are carried at their face value less unearned interest.

13. Interest receivable and other assets

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
Receivables and prepayments	15,935,297	16,554,161	4,335,042	5,970,745
Accrued interest receivable	<u>15,794,562</u>	<u>16,943,245</u>	<u>1,330,558</u>	<u>1,500,618</u>
	<u>31,729,859</u>	<u>33,497,406</u>	<u>5,665,600</u>	<u>7,471,363</u>



Notes To The Consolidated Financial Statements (continued)

(All Amounts In The Notes Are Expressed In Thousands Of Cedis Unless Otherwise Stated)

14. Loans and advances to customers

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
<i>Analysis by type of customer</i>				
Individual	207,756,566	207,756,566	211,436,034	211,436,034
Other private enterprises	16,930,489	16,930,489	18,158,401	18,158,401
Staff	<u>2,141,259</u>	<u>2,141,259</u>	<u>1,760,031</u>	<u>1,760,031</u>
Gross loans and advances	226,828,314	226,828,314	231,354,466	231,354,466
Less provision for impairment:				
Specific provisions	(11,394,026)	(11,394,026)	(7,047,270)	(7,047,270)
General provision	(171,995)	(171,995)	-	-
Interest in suspense	<u>(1,509,368)</u>	<u>(1,509,368)</u>	<u>-</u>	<u>-</u>
	<u>213,752,925</u>	<u>213,752,925</u>	<u>224,307,196</u>	<u>224,307,196</u>
<i>Analysis by type of advance</i>				
Commercial loans	8,772,844	8,772,844	7,368,515	7,368,515
Construction finance	16,930,489	16,930,489	18,158,401	18,158,401
Staff loans	2,141,259	2,141,259	1,760,031	1,760,031
Mortgage loans	<u>198,983,722</u>	<u>198,983,722</u>	<u>204,067,519</u>	<u>204,067,519</u>
Gross loans and advances	226,828,314	226,828,314	231,354,466	231,354,466
Less provision for impairment:				
Specific provisions	(11,394,026)	(11,394,026)	(7,047,270)	(7,047,270)
General provision	(171,995)	(171,995)	-	-
Interest in suspense	<u>(1,509,368)</u>	<u>(1,509,368)</u>	<u>-</u>	<u>-</u>
	<u>213,752,925</u>	<u>213,752,925</u>	<u>224,307,196</u>	<u>224,307,196</u>

The maximum level of staff indebtedness during the year did not exceed €2,141 million (2002: €1,780 million)

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
<i>Analysis by business segments:</i>				
Housing	202,129,667	202,129,667	205,827,550	205,827,550
Construction	15,986,872	15,986,872	18,158,401	18,158,401
Commerce and finance	<u>8,711,775</u>	<u>8,711,775</u>	<u>7,368,515</u>	<u>7,368,515</u>
Gross loans and advances	226,828,314	226,828,314	231,354,466	231,354,466
Less provision for impairment:				
Specific provisions	(11,394,026)	(11,394,026)	(7,047,270)	(7,047,270)
General provision	(171,995)	(171,995)	-	-
Interest in suspense	<u>(1,509,368)</u>	<u>(1,509,368)</u>	<u>-</u>	<u>-</u>
	<u>213,752,925</u>	<u>213,752,925</u>	<u>224,307,196</u>	<u>224,307,196</u>

14. Loans and advances to customers (continued)

The movement in mortgage loans is as follows:

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
At 1 January	197,954,246	197,954,246	186,513,841	186,513,841
Disbursements during year	29,740,935	29,740,935	31,218,350	31,218,350
Interest charged	20,990,578	20,990,578	18,990,005	18,990,005
Exchange difference	13,701,003	13,701,003	14,801,314	14,801,314
Inflation adjustment	11,451,949	11,451,949	11,887,731	11,887,731
	<u>273,838,711</u>	<u>273,838,711</u>	<u>263,411,241</u>	<u>263,411,241</u>
Less: Repayments	(74,854,989)	(74,854,989)	(59,343,722)	(59,343,722)
	<u>198,983,722</u>	<u>198,983,722</u>	<u>204,067,519</u>	<u>204,067,519</u>
Bad and doubtful debts provision	(5,285,267)	(5,285,267)	(6,113,273)	(6,113,273)
At 31 December	<u>193,698,455</u>	<u>193,698,455</u>	<u>197,954,246</u>	<u>197,954,246</u>

The movement in provisions for bad and doubtful debts is as follows:

	Specific credit risk provision	General provision	Total
Year ended 31 December 2003			
At 1 January 2003	7,047,270	-	7,047,270
Doubtful debts expense	<u>4,346,756</u>	<u>171,995</u>	<u>4,518,751</u>
At 31 December 2003	<u>11,394,026</u>	<u>171,995</u>	<u>11,566,021</u>
Year ended 31 December 2002			
At 1 January 2002	3,933,371	-	3,933,371
Doubtful debts expense	<u>3,113,899</u>	<u>-</u>	<u>3,113,899</u>
At 31 December 2002	<u>7,047,270</u>	<u>-</u>	<u>7,047,270</u>

All loans have been written down to their estimated recoverable amount. The aggregate amount of non-performing loans on which interest was not being accrued amounted to **¢52,708 million**. Unrecognised interest related to such loans amounted to **¢1,509 million**.

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
Loan loss provision ratio	5%	5%	3%	3%
Gross non-performing loans ratio	1%	1%	1%	1%
Ratio of 50 largest exposures	24%	24%	23%	23%



Notes To The Consolidated Financial Statements (continued)
 (All Amounts In The Notes Are Expressed In Thousands Of Cedis Unless Otherwise Stated)

15. Investment securities

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
Debt securities	<u>1,915,394</u>	<u>1,915,394</u>	<u>988,128</u>	<u>988,128</u>

Investment securities are classified as available-for-sale-investments. This is in respect of Prudential Bank Limited Bond. The bond attracts a variable interest rate of 182 day treasury bill rate plus 2%. The movement in investment securities is as follows:

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
At 1 January	988,128	988,128	-	-
Additions	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
	2,588,128	2,588,128	1,000,000	1,000,000
Repayments	<u>(672,734)</u>	<u>(672,734)</u>	<u>(11,872)</u>	<u>(11,872)</u>
At 31 December	<u>1,915,394</u>	<u>1,915,394</u>	<u>988,128</u>	<u>988,128</u>

16. Other short-term investments

Treasury dealings	93,421,567	93,421,567	19,761,488	19,761,488
Units and investments	16,866,290	18,159,193	13,343,343	14,868,289
Fixed deposit	-	3,548,300	-	-
	<u>110,287,857</u>	<u>115,129,060</u>	<u>33,104,831</u>	<u>34,629,777</u>

17. Investments in subsidiary and associated companies

Investment in subsidiary	100,000	-	100,000	-
Investment in associated companies	<u>1,397,727</u>	<u>1,397,727</u>	<u>1,547,728</u>	<u>1,547,728</u>
	<u>1,497,727</u>	<u>1,397,727</u>	<u>1,647,728</u>	<u>1,547,728</u>

The subsidiary is incorporated in the Republic of Ghana. Investment in associated companies represent equity shares in Gambia HFC and UG HFC.

18. Investment properties

Investment properties are stated at cost. If investment properties were stated at fair values, the amount would have been ₵969 million (2002: ₵927 million). Fair values have been determined on the basis of directors' valuation.



Notes To The Consolidated Financial Statements (continued)

(All Amounts In The Notes Are Expressed In Thousands Of Cedis Unless Otherwise Stated)

19. Property and equipment

The Bank	Land and buildings	Computers and equipment	Furniture and fittings	Motor vehicles	Capital work in progress	Total
Cost or valuation						
At 1 January 2003	14,225,137	6,456,022	1,004,069	1,762,307	-	23,447,535
Additions	667,836	2,173,264	299,877	1,957,105	2,041,439	7,139,521
Disposals	-	-	(22,950)	(144,824)	-	(167,774)
At 31 December 2003	<u>14,892,973</u>	<u>8,629,286</u>	<u>1,280,996</u>	<u>3,574,588</u>	<u>2,041,439</u>	<u>30,419,282</u>
Depreciation						
At 1 January 2003	434,745	2,414,665	471,362	873,673	-	4,194,445
Charge for the year	285,823	2,102,193	213,676	474,593	-	3,076,285
Disposals	-	-	(5,717)	(140,308)	-	(146,025)
At 31 December 2003	<u>720,568</u>	<u>4,516,858</u>	<u>679,321</u>	<u>1,207,958</u>	<u>-</u>	<u>7,124,705</u>
Net book amount						
At 31 December 2003	<u>14,172,405</u>	<u>4,112,428</u>	<u>601,675</u>	<u>2,366,630</u>	<u>2,041,439</u>	<u>23,294,577</u>
At 31 December 2002	<u>13,790,392</u>	<u>4,041,357</u>	<u>532,707</u>	<u>888,634</u>	<u>-</u>	<u>19,253,090</u>
The Group	Land and Buildings	Computers and equipment	Furniture and fittings	Motor vehicles	Capital work in progress	Total
Cost or valuation						
At 1 January 2003	14,225,137	7,020,933	1,004,069	2,213,538	-	24,463,677
Additions	667,836	2,218,023	299,877	1,957,105	2,041,439	7,184,280
Disposals	-	-	(22,950)	(144,824)	-	(167,774)
At 31 December 2003	<u>14,892,973</u>	<u>9,238,956</u>	<u>1,280,996</u>	<u>4,025,819</u>	<u>2,041,439</u>	<u>31,480,183</u>
Depreciation						
At 1 January 2003	434,745	2,561,755	471,361	1,008,323	-	4,476,184
Charge for the year	285,823	2,219,998	213,676	561,793	-	3,281,290
Disposals	-	-	(5,717)	(140,308)	-	(146,025)
At 31 December 2003	<u>720,568</u>	<u>4,781,753</u>	<u>679,320</u>	<u>1,429,808</u>	<u>-</u>	<u>7,611,449</u>
Net book amount						
At 31 December 2003	<u>14,172,405</u>	<u>4,457,203</u>	<u>601,676</u>	<u>2,596,011</u>	<u>2,041,439</u>	<u>23,868,734</u>
At 31 December 2002	<u>13,790,392</u>	<u>4,459,178</u>	<u>532,708</u>	<u>1,205,215</u>	<u>-</u>	<u>19,987,493</u>



Notes To The Consolidated Financial Statements (continued)

(All Amounts In The Notes Are Expressed In Thousands Of Cedis Unless Otherwise Stated)

19. Property and equipment (continued)

Messrs. Real Estate Partnership, an independent chartered valuer, revalued the bank's landed properties at open market value on 31 December 2000. If land and buildings were stated at the historical cost, the amount would be as follows:

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
Cost	3,503,555	3,503,555	2,835,719	2,835,719
Accumulated depreciation	(356,440)	(356,440)	(293,048)	(293,048)
Net book value	<u>3,147,115</u>	<u>3,147,115</u>	<u>2,542,671</u>	<u>2,542,671</u>
Profit on disposal of fixed assets				
Gross book value	167,774	167,774	1,291,735	1,291,735
Accumulated depreciation	(146,025)	(146,025)	(163,775)	(163,775)
Net book value	<u>21,749</u>	<u>21,749</u>	<u>1,127,960</u>	<u>1,127,960</u>
Sale proceeds	(44,582)	(44,582)	(1,564,699)	(1,564,699)
Profit on disposal	<u>22,833</u>	<u>22,833</u>	<u>436,739</u>	<u>436,739</u>
20. Customer deposits				
Demand deposits	6,434,876	6,587,070	-	-
Forex deposit	5,193,123	9,118,761	1,087,533	1,087,533
HFC housbills/housnotes	50,284,842	50,284,842	17,196,641	17,196,641
Time deposits	45,919,036	45,919,036	15,190,838	15,190,838
	<u>107,831,877</u>	<u>111,909,709</u>	<u>33,475,012</u>	<u>33,475,012</u>
21. Interest payable and other liabilities				
Creditors	2,691,128	3,112,421	2,957,025	5,024,574
Accrued interest	5,165,427	5,165,427	1,794,252	2,003,535
National reconstruction levy	175,553	203,471	-	32,467
Dividend payable (Note 9)	<u>7,072,660</u>	<u>7,072,660</u>	<u>3,842,832</u>	<u>3,842,832</u>
	<u>15,104,768</u>	<u>15,553,979</u>	<u>8,594,109</u>	<u>10,903,408</u>

Notes To The Consolidated Financial Statements (continued)

(All Amounts In The Notes Are Expressed In Thousands Of Cedis Unless Otherwise Stated)

22. Tax

The Bank

	Balance 1/1/03	Charge/ (credit) for the year	Payments during year	Balance 31/12/03
Current tax				
Tax Year				
2002	(785,440)	-	(167,576)	(953,016)
2003	<u>-</u>	<u>905,944</u>	<u>(1,098,766)</u>	<u>(192,822)</u>
	(785,440)	905,944	<u>(1,266,342)</u>	(1,145,838)
Deferred income tax	<u>591,998</u>	<u>(865,743)</u>		<u>(273,745)</u>
	<u>(193,442)</u>	<u>40,201</u>		<u>1,419,583</u>

The Group

	Balance 1/1/03	Charge/ (credit) for the year	Payments during year	Balance 31/12/03
Current tax				
Tax Year				
2002	(434,817)	-	(167,576)	(602,393)
2003	<u>-</u>	<u>1,025,944</u>	<u>(1,098,766)</u>	<u>(72,822)</u>
	(434,817)	1,025,944	<u>(1,266,342)</u>	(675,215)
Deferred income tax	<u>591,998</u>	<u>(865,743)</u>		<u>(273,745)</u>
	<u>157,181</u>	<u>160,201</u>		<u>(948,960)</u>

23. Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 30% for the bank and 32.5% for the subsidiary. The movement on the deferred tax account is as follows:

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
At 1 January	591,998	591,998	298,118	298,118
Income statement (credit)/charge	<u>(865,743)</u>	<u>(865,743)</u>	<u>293,880</u>	<u>293,880</u>
At 31 December	<u>(273,745)</u>	<u>(273,745)</u>	<u>591,998</u>	<u>591,998</u>



Notes To The Consolidated Financial Statements (continued)

(All Amounts In The Notes Are Expressed In Thousands Of Cedis Unless Otherwise Stated)

25. Long term bonds

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
At 1 January	242,692,178	242,692,178	208,110,050	208,110,050
Issues during the year	-	-	10,489,934	10,489,934
Interest charged	10,750,841	10,750,841	8,092,180	8,092,180
Exchange loss	4,049,152	4,049,152	17,706,197	17,706,197
Inflation adjustment	17,606,644	17,606,644	20,890,275	20,890,275
	<u>275,098,815</u>	<u>275,098,815</u>	<u>265,288,636</u>	<u>265,288,636</u>
Redemptions	(17,784,630)	(17,784,630)	(14,012,215)	(14,012,215)
Interest paid	(8,916,294)	(8,916,294)	(8,584,243)	(8,584,243)
	<u>248,397,891</u>	<u>248,397,891</u>	<u>242,692,178</u>	<u>242,692,178</u>
At 31 December	<u>248,397,891</u>	<u>248,397,891</u>	<u>242,692,178</u>	<u>242,692,178</u>
<i>Analysis by type of bond:</i>				
Ghana Government bond (Note (i) below)	49,362,324	49,362,324	44,034,248	44,034,248
Social Security & National Insurance Trust bonds (Note (ii) below)	115,738,100	115,738,100	103,245,549	103,245,549
HFC Unit Trust	534,750	534,750	748,733	748,733
	<u>165,635,174</u>	<u>165,635,174</u>	<u>148,028,530</u>	<u>148,028,530</u>
Total cedi bonds (Note (iii) below)	165,635,174	165,635,174	148,028,530	148,028,530
HFC dollar housebonds (Note (iv) below)	63,945,175	63,945,175	78,595,960	78,595,960
HFC sterling housebonds (Note (v) below)	18,817,542	18,817,542	16,067,688	16,067,688
	<u>248,397,891</u>	<u>248,397,891</u>	<u>242,692,178</u>	<u>242,692,178</u>
Balance at 31 December	<u>248,397,891</u>	<u>248,397,891</u>	<u>242,692,178</u>	<u>242,692,178</u>

i. Ghana Government bond

The International Development Association (IDA) has made available to the Government of Ghana (GOG) a credit of US\$70 million for the Urban II Project. GOG has on-lent an amount of US\$7 million from the proceeds of the Credit to HFC Bank (Ghana) Limited for home mortgage financing. As at 31 December 2003, the outstanding balance on the facility stood at ₵49,362million (2002: ₵44,034 million). The term of the bond is 30 years. The bonds are fully indexed to inflation and attract interest at the rate of 1% per annum.

Notes To The Consolidated Financial Statements (continued)

(All Amounts In The Notes Are Expressed In Thousands Of Cedis Unless Otherwise Stated)

25. Long term bonds (continued)

ii. Social Security and National Insurance Trust bonds

The Social Security and National Insurance Trust bonds are made up of Uncompleted Housing Scheme and Pilot Scheme bonds.

(a) Uncompleted housing scheme bonds

A loan of ₵2,000 million was contracted to finance the Uncompleted Housing Scheme. The loan, which is fully indexed to inflation, has a 20-year maturity period and attracts interest at the rate of 1.5% per annum on amounts drawn-down. The initial disbursement was made in 1993.

(b) Pilot scheme bonds

Social Security and National Insurance Trust have lent the cedi equivalent of US\$16.2 million for the implementation of the Home Finance Pilot Scheme. The loan, which has a 20-year term, is fully indexed to inflation and attracts interest at the rate of 1% per annum.

iii. HFC dollar housbonds

HFC Bank (Ghana) Limited made a shelf registration of US\$35 million bonds on the Ghana Stock Exchange on 17 September 1996. The issued bonds have a maturity of five years and investors have the option to redeem their holdings at a discount value of US\$98.25 for every US\$100 at the end of the second year from the date of issue. The bonds are listed and traded, on the Ghana Stock Exchange. At 31 December 2003, US\$7.3 million HFC dollar housbonds (2002:US\$9.3m) was outstanding.

iv. HFC sterling housbonds

HFC Bank (Ghana) Limited made a shelf registration of £1.2 million bonds on the Ghana Stock Exchange on 13 August 2002. The issued bonds have a maturity of five years and investors have the option to redeem their holdings at a discount value of £98.80 for every £100 at the end of the second year from the date of issue. The bonds are callable at the end of the second year at a premium of £101.20, and are listed and traded on the Ghana Stock Exchange. As at 31 December 2003 £1.2 million (2002: £1.2 million) HFC sterling housbonds was outstanding.

26. Long term loans

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
IDA	2,497,414	2,497,414	2,497,414	2,497,414
Ghana International Bank (GIB)	40,434,926	40,434,926	-	-
	<u>42,932,340</u>	<u>42,932,340</u>	<u>2,497,414</u>	<u>2,497,414</u>
The movement on long term loans is as follows:				
At 1 January	2,497,414	2,497,414	2,497,414	2,497,414
Drawdowns	40,434,926	40,434,926	-	-
At 31 December	<u>42,932,340</u>	<u>42,932,340</u>	<u>2,497,414</u>	<u>2,497,414</u>

(i) IDA loan

Long term loan represents an IDA co-ordinated loan through the Non-Bank Financial Institution (NBFI) for the procurement of computer systems and accessories. The loan represents US\$500,000 out of a total IDA Credit of SDRI 6, 000,000 given to the Government of Ghana under a Development Credit agreement, dated 26 February 1996. The loan has a ten-year term, with a three-year grace period from the date of first draw down. The first draw down was made in September 1999. Repayment of the loan is in cedis at an interest rate based on the market determined average cost of 180-days fixed deposits, with the Government of Ghana bearing the foreign exchange risk.

(ii) GIB loan

GIB loan represents two unsecured medium term loans of US\$2.0 million and US\$2.5 million contracted for home mortgage financing. The US\$2.0 million loan is a 3 year floating rate facility payable in three equal yearly instalment starting from January 17, 2004. The US\$2.5 million loan is a 5 year floating rate facility payable in five equal yearly instalment starting October 17, 2004. Both loans are payable in US dollars.



Notes To The Consolidated Financial Statements (continued)

(All Amounts In The Notes Are Expressed In Thousands Of Cedis Unless Otherwise Stated)

27. Stated capital

The bank has authorised shares of 1,000,000,000 (2002: 1,000,000,000) of which 101,038,000 (2002: 80,059,000) have been issued. All shares have been issued for cash consideration. The movement in stated capital is as follows:

	2003 No. of shares '000	Proceeds	2002 No. of shares '000	Proceeds
At 1 January	80,059	25,894,182	57,129	8,094,001
Share option scheme	979	578,254	329	171,280
Rights issue	-	-	22,601	17,628,901
Issue for cash by a special resolution of the board dated 18 December 2002	<u>20,000</u>	<u>20,054,180</u>	<u>-</u>	<u>-</u>
At 31 December	<u>101,038</u>	<u>46,526,616</u>	<u>80,059</u>	<u>25,894,182</u>

There are no unpaid liability on any shares. There were no treasury shares held as at 31 December 2003 (2002: 911,509). There are no calls or instalments unpaid.

28. Statutory reserve fund

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
At 1 January	4,548,225	4,548,225	3,265,701	3,265,701
Transfer from retained profits	<u>8,927,982</u>	<u>8,927,982</u>	<u>1,282,524</u>	<u>1,282,524</u>
At 31 December	<u>13,476,207</u>	<u>13,476,207</u>	<u>4,548,225</u>	<u>4,548,225</u>

Statutory reserve fund represents the cumulative amounts set aside from annual net profit after tax as required by Section 9 of the Banking Law, 1989 (PNDCL 225). The proportion of net profits transferred to this reserve ranges from 12.5% to 50% of net profit after tax depending on the ratio of existing statutory reserve fund to paid up capital.

29. Capital surplus account

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
At 1 January	11,644,320	11,644,320	12,447,901	12,447,901
Transfer of realised surplus to income surplus	<u>-</u>	<u>-</u>	<u>(803,581)</u>	<u>(803,581)</u>
At 31 December	<u>11,644,320</u>	<u>11,644,320</u>	<u>11,644,320</u>	<u>11,644,320</u>

The capital surplus relates to the revaluation of land and buildings and is non-distributable.

30. Housing development assistance fund

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
At 1 January	1,618,201	1,618,201	1,190,693	1,190,693
Transfer from retained earnings	<u>892,798</u>	<u>892,798</u>	<u>427,508</u>	<u>427,508</u>
At 31 December	<u>2,510,999</u>	<u>2,510,999</u>	<u>1,618,201</u>	<u>1,618,201</u>

The Housing development assistance fund has been set up to fund housing related research and new technologies and is as such restricted from distribution as dividend.

31. Share deals accounts

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
At 1 January	1,823,935	1,823,935	1,787,811	1,787,811
Purchase of treasury shares	(361,408)	(361,408)		
Proceeds from issue of treasury shares	2,578,537	2,578,537	36,124	36,124
Profit on issue of treasury shares	<u>(1,297,550)</u>	<u>(1,297,550)</u>	<u>-</u>	<u>-</u>
At 31 December	<u>2,743,514</u>	<u>2,743,514</u>	<u>1,823,935</u>	<u>1,823,935</u>

32. Commitments

The Bank had no undrawn formal stand-by facilities, credit lines and other commitments to lend at 31 December 2003.

Nature of commitments

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.



34. Liquidity risk (continued)

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

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the bank and its exposure to changes in interest rates and exchange rates.

35. Credit risk

The bank takes on exposure to credit risk, which is the risk that counter party will be unable to pay amounts in full when due. The bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review.

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

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

36. Currency risk

The bank takes on exposure to 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 total for both overnight and intra-day positions, which are monitored daily. The table below summarises the bank's exposure to foreign currency exchange rate at 31 December 2003. Included in the table are the bank's assets and liabilities at carrying amounts categorised by currency:

36. Currency risk (continued)

The bank had the following significant foreign currency positions:

As at 31 December 2003

	EUR	USD	GBP	Cedis	Total
Assets					
Cash and balance with Bank of Ghana	777,000	3,043,000	2,352,000	93,717	6,265,717
Due from other banks	813,800	21,599,456	6,627,315	-	29,040,571
Government securities	-	-	-	92,694,705	92,694,705
Interest receivable and other assets	-	-	-	31,729,859	31,729,859
Loans and advances to Customers	-	95,460,864	11,339,590	106,952,471	213,752,925
Investment securities	-	-	-	1,915,394	1,915,394
Other short term investments	-	-	-	110,287,857	110,287,857
Investment in subsidiary and associated companies	-	-	-	1,497,727	1,497,727
Tax	-	-	-	1,419,583	1,419,583
Property and equipment	-	-	-	23,294,577	23,294,577
	<u>1,590,800</u>	<u>120,103,320</u>	<u>20,318,905</u>	<u>369,885,890</u>	<u>511,898,915</u>
Liabilities					
Customer deposits	253,794	22,374,549	284,254	84,919,280	107,831,877
Due to other banks	-	-	-	8,571,000	8,571,000
Interest payable and other liabilities	-	-	-	15,104,768	15,104,768
Long term bonds	-	63,945,175	18,817,542	165,635,174	248,397,891
Long term loans	-	<u>42,932,340</u>	-	-	<u>42,932,340</u>
Total liabilities	<u>253,794</u>	<u>129,252,064</u>	<u>19,101,796</u>	<u>274,230,222</u>	<u>422,837,876</u>
Net on balance sheet position	<u>1,337,006</u>	<u>(9,148,744)</u>	<u>1,217,109</u>	<u>95,655,668</u>	<u>89,061,039</u>

There were no off balance sheet items at 31 December 2003.



Notes To The Consolidated Financial Statements (continued)

(All Amounts In The Notes Are Expressed In Thousands Of Cedis Unless Otherwise Stated)

37. Effective interest rates of financial assets and liabilities

The effective interest rates for the principal financial assets and liabilities at 31 December 2003 were in the following ranges:

At 31 December 2003

	USD	GBP	Cedis
Assets			
Government securities	-	-	20.0%
Due from other banks	0.9%	3.71%	20.25%
Loans and advances to customers	12.5%	13.0%	32.5%
Liabilities			
Customer deposits	1.5%	1.5%	15.0%
Due to banks	3.5%	-	16.0%

38. Reconciliation of profit before tax to cash generated from operations

	The Group 2003	The Group 2002
Profit before tax	19,341,310	10,041,949
Depreciation	3,281,290	1,752,184
Increase in bad and doubtful debt expense	4,518,751	3,113,899
Profit on disposal of property and equipment	(22,833)	(436,739)
Profit on reissue of treasury shares	(1,297,550)	-
Interest expense on long term bonds	10,750,841	8,092,180
Inflation adjustment on long term bonds	17,606,644	20,890,275
Exchange loss on long term bonds	4,049,152	17,706,197
Provision for diminution in investment	150,000	-
Cash generated from operations before changes in operating assets and liabilities	58,377,605	61,159,945
(Decrease)/increase in loans and advances to customers	6,035,520	(23,771,397)
Increase in other assets accounts	(26,344,632)	(1,327,832)
Increase in customer deposits	78,434,697	7,587,875
Increase/(decrease) in creditors and accruals	784,850	(933,287)
Decrease in deferred credits	(47,445)	(69,357)
Cash generated from operations	117,240,595	42,645,947



39. Analysis of cash and cash equivalents as shown in the cash flow statement

For the purposes of the cash flow statement, cash and cash equivalents comprises the following balances with less than 90 days maturity:

	The Group 2003	The Bank 2002
Change during the year		
Cash and balances with Bank of Ghana (Note 10)	6,265,717	(194,753)
Due from other banks (Note 11)	29,633,479	7,148,618
Treasury bills (Note 12)	186,470	3,163,350
Due to other banks	(8,571,000)	-
	<u>27,514,666</u>	<u>10,117,215</u>

40. Share options

On 21st April 1999, the shareholders of the company approved a share option scheme for the Executive Directors and Management Staff of the company. The number of shares offered under the scheme is 587,690 for Executive Directors and 885,373 for Management Staff. The Executive Directors may exercise their option within a 5-year period ending 31st December 2006. The Management Staff options are exercisable in equal amounts on 31st December of each year to 31st December 2006.

The beneficiaries of the Executive Directors options are restricted from trading in the shares before the options' expiry date of 31st December 2006. The beneficiaries of the Management Staff options are also restricted from selling in any year, more than 50% of options exercised in that particular year.

The options exercised on 31 December 2003 by Management Staff were 153,685 at €669 per share and 164,314 at €1,225 per share (2002: 165,000 at €665 per share). The options exercised by the Executive Directors at 31st December 2003 were 340,784 at €376 per share and 320,308 at €690 per share (2002: 164,000 at €376 per share). The movements in the number of shares under the scheme is as follows:

Executive Directors

	2003	2002
Options granted during the year	661	588
Options exercised during the year	(661)	(164)
Options at the end of the year	<u>-</u>	<u>424</u>



Notes To The Consolidated Financial Statements (continued)
(All Amounts In The Notes Are Expressed In Thousands Of Cedis Unless Otherwise Stated)

40. Share options (continued)

Management staff	2003	2002
Options granted during the year	335	266
Less:		
Options lapsed during the year.	(17)	(124)
Options exercised during the year	318	142
Options at 31 December	-	-
Addition to stated capital from share options	578,254	171,280
Fair value of options exercised at 31 December	3,916,000	292,230

41. Related party transactions

A number of transactions are entered into with related parties in the normal course of business. These include mortgages and deposits. The outstanding balances at the year end and relating expense and income for the year are as follows:

Type of related party

	The Bank 2003	The Group 2003	The Bank 2002	The Group 2002
(i) Loans to directors				
Loans outstanding at 1 January	303,479	303,479	268,633	268,633
Loans issued during the year	275,000	275,000	82,634	82,634
Interest income earned	179,068	179,068	46,192	46,192
Loan repayments during the year	(233,089)	(233,089)	(93,980)	(93,980)
Loans outstanding at 31 December	524,458	524,458	303,479	303,479

No provisions have been recognised in respect of loans given to related parties (2002: nil).

(ii) Deposits from directors

Deposit at 1 January	32,820	32,820	-	-
Deposit received during the year	2,200,000	2,200,000	32,820	32,820
Deposit at 31 December	2,232,820	2,232,820	32,820	32,820
Interest expense on deposits	334,044	334,044	117	117



42. Country analysis

The amount of total assets and liabilities held in and outside Ghana is analysed below:

	In Ghana 2003	Outside Ghana 2003	In Ghana 2002	Outside Ghana 2002
Assets				
Cash and balances with Bank of Ghana	6,265,717	-	-	-
Due from other banks	2,528,258	26,512,313	614,601	5,531,720
Government securities	92,694,705	-	52,920,297	-
Interest receivable and other assets	31,729,859	-	5,665,600	-
Loans and advances to customers	213,752,925	-	224,307,196	-
Investment securities	1,915,394	-	988,128	-
Other short term investments	110,287,857	-	33,104,831	-
Investment in subsidiary and associated companies	1,000,000	497,727	1,150,001	497,727
Tax	1,419,583	-	193,442	-
Property and equipment	23,294,577	-	19,253,090	-
Total assets	484,888,875	27,010,040	338,197,186	6,029,447
Liabilities				
Cash and balances with Bank of Ghana	-	-	194,753	-
Customer deposits	107,831,877	-	33,475,012	-
Due to banks and other financial Institutions	8,571,000	-	-	-
Interest payable and other liabilities	15,104,768	-	8,594,109	-
Tax	-	-	-	-
Deferred credit	-	-	47,445	-
Long term bonds	248,397,891	-	242,692,178	-
Long term loans	42,932,340	-	2,497,414	-
Total liabilities	422,837,876	-	287,500,911	-

43. Change of company name

By a special resolution of the board dated 11 June 2003 and the approval of the Registrar of Companies, Home Finance Company Limited changed its name to HFC Bank (Ghana) Limited.

44. Comparative figures

HFC Bank (Ghana) Limited commenced banking operations on 10 November 2003 as such there are no comparative figures for certain disclosures required under Ghana Accounting Standards 27 (Disclosure in Financial Statements of Banks and Similar Financial Institutions). Where necessary, the comparative figures have been adjusted to conform with changes in the presentation in the current year.



SHAREHOLDING STRUCTURE AS AT 31 DECEMBER, 2003

FROM		TO	MEMBERS	SHARES	%
1	-	1,000	691	259,201	0.26
1,001	-	5,000	239	611,795	0.60
5,001	-	10,000	61	466,211	0.46
10,001	-	999,999,999	95	99,841,263	98.68
TOTALS			1,086	101,038,470	100.00

DIRECTORS' SHAREHOLDING AS AT 31 DECEMBER, 2003

NAME	SHARES	%
Nana Agyei Duku	45,000	0.04
Dr Stephanie Baeta Ansah	449,147	0.44
Mr Edusei Derkyi	262,066	0.26
Mr. Asare Akuffo	277,799	0.28



20 Largest Shareholders As At 31 December, 2003

NAME	SHARES	% OF ISSUED CAPITAL
1 Social Security and National Insurance Trust	21,214,247	20.97
2 Union Bank of Nigeria Plc	20,000,000	19.77
3 Ghana Union Assurance Co Ltd	12,397,954	12.25
4 State Insurance Company of Ghana	10,066,020	9.95
5 Financial Investment Trust	7,410,765	7.32
6 MIHL/Union Homes Savings & Loans	7,080,924	7.00
7 MIHL/Union Homes Pension Fund	4,500,000	4.45
8 Ghana Reinsurance Company	3,500,000	3.46
9 HFC Unit Trust	2,282,226	2.26
10 Falcon QP LP	2,114,840	2.09
11 HFC ESPW Fund	844,512	0.83
12 Enterprise Insurance Co Ltd	783,420	0.77
13 MIHL/Union Homes - O.N. Chionuma	750,000	0.74
14 HFC ESOP	670,484	0.66
15 Vanguard Assurance Co Ltd	617,187	0.61
16 Mr. K.T. Agyare	512,175	0.51
17 Capital & Equity Ltd	500,000	0.49
18 Mrs Stephanie Baeta Ansah	449,147	0.44
19 CDH Asset Management	423,048	0.42
20 HFC Staff Provident Fund	395,753	0.39
	<u>96,512,702</u>	<u>95.39</u>
Not Reported	4,525,768	4.61
Grand Total	<u>101,038,470</u>	<u>100.00</u>
COMPANY CAPITAL	101,038,470	



HFC BANK (GHANA) LIMITED
PROXY

I/We.....

Of.....

Being members of HFC BANK (GHANA) LIMITED

Hereby appoint.....

Or failing him NANA AGYEI DUKU, Chairman of HFC Bank (Ghana) Limited, P. O. Box CT4603, Cantonments, Accra, as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of HFC Bank ((Ghana) Limited to be held at the Novotel Hotel, Accra at eleven (11:00) o'clock in the forenoon on the 18th day of March, 2004 and at any adjournment thereof.

Please indicate with an X in the space below how you wish your votes to be cast.

ORDINARY RESOLUTIONS
ORDINARY BUSINESS

1. To consider and approve consolidated accounts and Financial Statements of HFC Bank (Ghana) Limited and its wholly owned subsidiary, HFCISL for the financial year ended 31st December, 2003 together with the Auditors Report thereon.
2. To receive the Directors' report and approve their recommendations for the payment of dividend for the year ended 31st December, 2003.
3.
 - (a) To re-elect Directors
 - (b) To ratify the appointment of Mr. Ekundayo Austine Aikhorin as Executive Director in charge of Commercial Banking Division.
4. To authorize the Directors' to approve the remuneration of the Auditors for the year 2004.

FOR COMPANY USE	
Number of Shares	
FOR	AGAINST

On any other business transacted at the meeting and otherwise instructed in the paragraphs above, the proxy will vote as he/she thinks fit.

Signed this _____ day of _____ 2004

Signature of Shareholder

THIS FORM SHOULD NOT BE COMPLETED AND SENT TO THE SECRETARY IF THE SENDER WILL BE ATTENDING THE MEETING

1. A member (shareholder) who is unable to attend an Annual General Meeting is allowed by law to vote by proxy. The Proxy Form has been prepared to enable you exercise your vote if you cannot personally attend.
2. Provision has been made on the form for NANAAGYEI DUKU the Chairman of the meeting to act as your Proxy but if you so wish, you may insert in the blank space the name of any person whether a member of the company or not who will attend the meeting and vote on your behalf instead of the Chairman.
3. In the case of joint holder, each holder must sign. In case of a company, the Proxy Form must be by a director or its Common Seal appended.
4. If you intend to sign a Proxy, please sign the above Proxy Form and post it to reach the address shown overleaf not later than 5:00 p.m. on the 17th day of March, 2004.
5. The Proxy must produce the Admission Form printed overleaf to obtain entrance to the meeting.

THIRD FOLD HERE

SECOND FOLD HERE

THE SECRETARY
HFC BANK (GH.) LTD.
'EBANKSE'
P. O. BOX CT4603
CANTONMENTS
ACCRA-GHANA.

FIRST FOLD HERE

BEFORE POSTING THE ABOVE FORM, TEAR OFF AND RETAIN THE PART BELOW

HFC BANK (GHANA) LIMITED

ADMISSION CARD

Annual General Meeting of the Bank to be held at the Novotel Hotel at eleven (11:00) o'clock on the 18th day of March, 2004 and at any adjournment thereof.

875

Name of Shareholder..... HFC/1820
MS G.A. ODOI
Name of Proxy..... NATIONAL TRUST HOLDING CO.LTD
P O BOX 9563
Signature of Person Attending..... AIRPORT-ACCRA

IMPORTANT

- (a) This Admission Form must be produced by the shareholder or his Proxy in order to obtain entrance to the Annual General Meeting.
- (b) Shareholders or their Proxy are requested to complete and sign the Admission Form before the meeting.

