BANQUE SAHELO-SAHARIENNE
POUR L'INVESTISSEMENT ET LE COMMERCE (GHANA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Contents **Page**

CORPORATE INFORMATION

Directors:	Mr. Mohammed Ahmed Bushra Badawi	(Chairman) (Re-appointed 18 November 2008)
	Mr. Robert K. Bentil	(Managing Director, Appointed 15 February 2009)
	Mr. Hadi Ali Idris	(Managing Director, Resigned 15 February 2009)
	Mr. Yousef S. Ahmed Turkman	
	Mr. Mohammed Manna Aboushwashi	(Re-appointed 15 February 2009)
	Dr. Kofi Koduah Sarpong	
	Dr. Ahmed O. Alhadi Tarhouni	
	Dr. Ali Elhouni	(Appointed 18 November 2008)
	Mr. Abdalla Khalifa	(Appointed 18 November 2008)
	Mr. Abduarahman A. Emhamed Balaou	(Resigned 18 November 2008)
	Mr. Ahmed Younes Sebai	(Resigned 18 November 2008)
	Mr. Ahmed Abdussalam El Shaukri	(Resigned 18 November 2008)

Company secretary: Mr.Ben Danquah
P.O. Box CT 1732 Cantonments
Accra

Registered office: Glico House
47 Kwame Nkurumah Avenue, Adabraka
P.O. Box CT 1732 Cantonments
Accra

Auditor: PricewaterhouseCoopers
Chartered Accountants
No.12 Airport City
Una Home, 3rd Floor
PMB CT 42, Cantonments
Accra

Correspondent banks: British Arab Commercial Bank, London, United Kingdom.
Banque Internationale Arabe, Paris, France.
Ghana International Bank Plc, London, United Kingdom
Al Waha Bank Limited, Libya

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended 31 December 2009, which disclose the state of affairs of the Bank.

Statement of directors' responsibilities

The directors are responsible for the preparation of financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank and of the profit or loss and cash flows for that period. In preparing these 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, the requirements of the Companies Code, 1963 (Act 179), and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

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

Principal activity

The principal activity of the bank is to provide banking and related services.

Financial results

The results for the year are set out on page 5. The net loss for the year of GH¢4,315,908 has been transferred to the income surplus account.

Dividend

The directors do not recommend the payment of dividend to shareholders (2008: Nil).

Holding company

The company is a wholly owned subsidiary of Banque Sahelo-Saharienne Pour L'Investissement et Le Commerce Tripoli (Libya), a company incorporated in the Great Socialist People's Libyan Arab Jamahiriya.

Auditor

The Bank's auditor, PricewaterhouseCoopers, will continue in office in accordance with the provisions of Section 134 (5) of the Companies Code 1963 (Act 179).

BY ORDER OF THE BOARD

Name of Director: Mohammed A. Bushra
Signature:
Date: 29.3.2010

Name of Director: Robert K. Benful
Signature:
Date: 29/03/10

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF BANQUE SAHELO-SAHARIENNE POUR L'INVESTISSEMENT ET LE COMMERCE (GHANA) LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Banque Sahelo-Saharienne Pour L'Investissement et Le Commerce (Ghana) Limited set out on pages 5 to 49. These financial statements comprise the balance sheet as at 31 December 2009, the income statement, statement of comprehensive income, statement of changes in equity and statement cash flows 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 of 2007, (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 judgement, 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 the 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2009 and of its financial performance and cash flows of the Bank 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 2007, (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 Bank, so far as appears from our examination of those books; and

iii) the balance sheet and income statement are in agreement with the books of account.

In accordance with Section 78(2) of the Banking Act 2004 (Act 673), we hereby confirm that:

i) we were able to obtain all the information and explanation required for the efficient performance of our duties as auditor;

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.

PricewaterhouseCoopers

Chartered Accountants
PRICEWATERHOUSECOOPERS
31 March 2010

Accra, Ghana

Michael Asiedu-Antwi (101032)

INCOME STATEMENT

(All amounts are expressed in Ghana Cedis)

	Note	31 December 2009	31 December 2008 (Restated)
Interest income	6	**2,413,031**	1,320,982
Interest expenses	7	**(1,121,198)**	(121,887)
Net interest income		**1,291,833**	1,199,095
Fees and commission income	8	**341,683**	68,855
Other operating income	9	**246,677**	63,161
Operating income		**1,880,193**	1,331,111
Staff costs	10	**2,441,390**	650,752
Operating lease rentals	11	**670,902**	167,228
Operating expenses	12	**2,497,317**	2,035,003
Loan impairment charge	18	**172,981**	-
Depreciation and amortisation	13	**413,511**	130,829
Total expenses		**6,196,101**	2,983,812
Loss before income tax		**(4,315,908)**	(1,652,701)
Income tax expense	14	**-**	-
Loss for the year		**(4,315,908)**	(1,652,701)

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are expressed in Ghana Cedis)

	Note	31 December 2009	31 December 2008 (Restated)
Loss for the year		**(4,315,908)**	(1,652,701)
Fair value (loss)/gain on investment securities – available-for-sale			
- Reclassification adjustment for realised gains		**(26,867)**	-
- Unrealised losses arising during the year	16	**(8,549)**	26,867
Total comprehensive income		**(4,351,324)**	(1,625,834)

BALANCE SHEET
(All amounts are expressed in Ghana Cedis)

	Note	31 December 2009	31 December 2008 (Restated)	1 January 2008 (Restated)
Assets				
Cash and balances with Bank of Ghana	15	**2,543,278**	2,094,936	4,088
Due from other banks	17	**3,483,325**	2,755,189	9,333,672
Investment securities – available-for-sale	16	**114,786**	4,362,458	-
Loans and advances to customers	18	**7,923,377**	2,247,845	-
Pledged assets	19	**2,778,368**	579,447	-
Property and equipment	20	**5,426,854**	731,065	204,168
Intangible assets	21	**213,420**	191,067	-
Other assets	22	**2,748,750**	1,009,163	343,882
Total assets		**25,232,158**	13,971,170	9,885,810
Liabilities				
Due to other banks	23	**1,000,518**	-	-
Deposits from customers	24	**19,173,121**	5,061,311	-
Retirement benefits obligation	25	**57,648**	46,020	-
Other liabilities	26	**1,488,147**	999,791	395,928
Total liabilities		**21,719,434**	6,107,122	395,928
Equity				
Stated capital	27	**9,297,500**	9,297,500	9,297,500
Regulatory credit risk reserve	29	**130,182**	22,740	-
Income surplus account (deficit)	30	**(5,906,409)**	(1,483,059)	192,382
Revaluation reserve	31	**(8,549)**	26,867	-
Total shareholders' equity		**3,512,724**	7,864,048	9,489,882
Total liabilities and shareholders' equity		**25,232,158**	13,971,170	9,885,810

The financial statements on pages 5 to 49 were approved for issue by the Board of Directors on 29th March 2010 and signed on its behalf by:

Name of Director: Mohammed A. Bushra
Signature:
Date: 29.3.2010

Name of Director: Robert K. Bentil
Signature:
Date: 29/03/10

STATEMENT OF CHANGES IN EQUITY
(All amounts are expressed in Ghana Cedis)

	Note	Stated capital	Income surplus	Regulatory risk reserve	Revaluation reserve	Total
Year ended 31 December 2009						
At 1 January						
As previously reported		9,297,500	(373,252)	22,740	26,867	8,973,855
Change in accounting policy	36	-	(1,109,807)	-	-	(1,109,808)
At 1 January (restated)		9,297,500	(1,483,059)	22,740	26,867	7,864,048
Total comprehensive income		-	(4,315,908)	-	(35,416)	(4,351,324)
Transfer to regulatory credit risk reserve	30	-	(107,442)	107,442	-	-
At 31 December		9,297,500	(5,906,409)	130,182	(8,549)	3,512,724
Year ended 31 December 2008						
At 1 January						
As previously reported		9,297,500	772,129	-	-	10,069,629
Change in accounting policy	36	-	(579,747)	-	-	(579,747)
At 1 January (restated)		9,297,500	192,382	-	-	9,489,882
Total comprehensive income		-	(1,652,701)	-	26,867	(1,625,834)
Transfer to regulatory credit risk reserve	30	-	(22,740)	22,740	-	-
At 31 December (restated)		9,297,500	(1,483,059)	22,740	26,867	7,864,048

STATEMENT OF CASH FLOWS
(All amounts are expressed in Ghana Cedis)

	Note	2009	2008 (Restated)
Cash flows from operating activities			
Loss before income tax		**(4,315,908)**	(1,652,701)
Adjustments for non cash items:			
Charge for impairment on loans and advances	18	**172,981**	-
Depreciation of property, plant and equipments	13	**413,511**	130,829
Cash generated from operating activities before change in operating assets and liabilities		**(3,729,416)**	(1,521,872)
Change in operating assets and liabilities			
Increase in mandatory cash reserve deposit		**(1,141,271)**	(169,601)
Increase in loans and advances to customers		**(5,848,513)**	(2,247,844)
Increase in pledged assets		**(2,234,337)**	(552,580)
Increase in other assets		**(1,739,587)**	(665,282)
Increase in deposits from customers		**14,111,810**	5,061,311
Increase in retirement benefit obligation		**11,628**	46,020
Increase in other liabilities		**488,356**	603,863
Net cash used in operating activities		**(81,330)**	554,015
Cash flow from investing activities			
Purchase of property and equipment	20	**(5,061,791)**	(652,024)
Purchase of intangible assets	21	**(69,862)**	(196,769)
Net cash used in investing activities		**(5,131,653)**	(848,793)
Net cash from financing activities		**-**	-
Net decrease in cash and equivalents		**(5,212,983)**	(294,778)
Cash and cash equivalents at 1 January		**9,042,982**	9,337,760
Cash and cash equivalents at 31 December	33	**3,829,999**	9,042,982

NOTES
(All amounts are in Ghana cedis unless otherwise stated)

1. **Reporting entity**

Banque Sahelo Saharienne pour l'Investissement et le Commerce (Ghana) Limited (BSIC Ghana Limited) is a limited liability company incorporated in Ghana. The Bank operates with a universal banking license that allows it to undertake all banking and related activities.

The bank is a subsidiary of Banque Sahelo-Saharienne Pour L'Investissement et le Commerce,Tripoli (Libya) (BSIC Libya), a company incorporated in the Great Socialist People's Libyan Arab Jamahiriya.

The address and registered office of the Bank is BSIC (Ghana) Limited, Glico House, 47 Kwame Nkrumah Avenue, Adabraka, Accra.

2. **Summary of significant accounting policies**

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

(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost basis except for investment securities - available-for-sale which have been measured at their fair value.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

The financial statements are presented in Ghana Cedis (GH¢), which is the Bank's presentation currency.

The financial statements were approved by the Board of Directors on …………………...... 2010.

NOTES
(All amounts are in Ghana cedis unless otherwise stated)

2. **Summary of significant accounting policies (continued)**

(a) Basis of preparation (continued)

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

- **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.

NOTES
(All amounts are in Ghana cedis unless otherwise stated)

2. **Summary of significant accounting policies (continued)**

(a) Basis of preparation (continued)

Standards, amendments and interpretations effective on or after 1 January 2009 (continued)

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 8	Operating segments	1 January 2009

- **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.

NOTES
(All amounts are in Ghana cedis unless otherwise stated)

2. **Summary of significant accounting policies (continued)**

(a) Basis of preparation (continued)

Standards, amendments and interpretations effective on or after 1 January 2009 (continued)

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.

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.

NOTES
(All amounts are in Ghana cedis unless otherwise stated)

2. **Summary of significant accounting policies (continued)**

(a) Basis of preparation (continued)

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

- **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.

NOTES
(All amounts are in Ghana cedis unless otherwise stated)

2. **Summary of significant accounting policies (continued)**

(a) Basis of preparation (continued)

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

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.

NOTES
(All amounts are in Ghana cedis unless otherwise stated)

2. **Summary of significant accounting policies (continued)**

(a) Basis of preparation (continued)

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

- **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 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.

NOTES
(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

- 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.

- **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.

- **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.

Early adoption of standards

The bank has not early adopted any new amended standards.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

2. **Summary of significant accounting policies (continued)**

(b) Interest income and expense

Interest income and expense for all interest-bearing financial instruments classified as available-for-sale, or other loans and receivables are recognised within ‘interest income’ or ‘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, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

In calculating effective interest, the Bank estimates cash flows (using projections based on its experience of customers’ behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees are included in the calculation to the extent that they can be measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

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 that was used to discount the future cash flows for the purpose of measuring the impairment loss.

(c) Fee and commission income

Fees and commissions are recognised on an accrual basis when the service is provided. Commitment fees, together with related direct costs, for loan facilities where draw-down is probable are deferred and recognised as an adjustment to the effective interest rate on the loan.

(d) Foreign currency transactions

The financial statements are presented in Ghana Cedis, which is the Bank’s functional and presentation currency.

Transactions denominated in foreign currencies are translated into Ghana Cedis at rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Ghana Cedis at the exchange rates ruling at that date. Gains and losses resulting from the conversion and translation are dealt with in the profit and loss account in the year in which they arise.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(e) Financial assets and liabilities

Financial assets

The Bank classifies its financial assets into the following categories: loans and receivables and available-for-sale financial assets. Management determines the appropriate classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value including direct and incremental transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

(i) *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: (a) those classified as held for trading and those that the Bank on initial recognition designates as at fair value through profit and loss; (b) those that the Bank upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables as reported in the balance sheet include loans and advances to customers and due from other banks and financial institutions.

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets 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. Treasury bills are valued using the bid rate applicable at the end of the financial year to discount the expected future maturity amounts of the existing securities.

Available-for-sale financial assets are carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in the statement of comprehensive income until the financial asset is impaired, at which time the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the income statement. However, interest calculated using the effective interest method is recognised in the income statement.

Regular way purchases and sales of available-for-sale financial assets are recognised on trade-date – the date on which the Bank commits to purchase or sell the asset. Financial assets that are transferred to a third party but do not qualify for de-recognition are presented in the balance sheet as ‘pledged assets’ if the transferee has the right to sell them.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(e) Financial assets and liabilities (continued)

Financial liabilities

Financial liabilities are measured at amortised cost and are derecognised when they are extinguished.

Determination of fair value

Fair value for financial assets and liabilities is determined by reference to the quoted bid price or asking price (as appropriate) in an active market wherever possible. Where no such active market exists for the particular asset, such as loans and receivables, the Bank uses a valuation technique to arrive at the fair value, such as the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the 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.

(f) Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a 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 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. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

a) significant financial difficulty of the borrower;
b) a breach of contract, such as default or delinquency in interest or principal repayments;
c) the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Bank would not otherwise consider; or
d) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
   - adverse changes in the payment status of borrowers in the group; or
   - local economic conditions that correlate with defaults on the assets in the group.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between 3 months and 6 months.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(f) Impairment of financial assets (continued)

(i) Assets carried at amortised cost

The Bank 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 Bank 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.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, 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 instrument'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 income statement. If a loan 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 Bank 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 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 (i.e. on the basis of the Bank's grading process that considers asset type, industry, 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 exist currently.

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. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

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.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(f) Impairment of financial assets (continued)

(ii) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

(g) Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets.

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 Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to other operating expenses during the period in which they are incurred.

Land and buildings are not depreciated. Depreciation on other assets is calculated on the straight line basis to write down their cost to their residual values over their estimated useful lives, as follows:

Leasehold land and improvements	Life of the lease up to 50 years
Furniture and equipment	5 years
Motor vehicles	4 years
Computer equipment	4 years

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

The Bank assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. 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).

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(h) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

(i) Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases. To date, all leases entered into by the Bank are operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with the Bank of Ghana, treasury and other eligible bills, and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with the Bank of Ghana.

(k) Employee benefits

(i) Retirement benefit obligations

The Bank operates a defined contribution scheme for its employees. A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The assets of the scheme are held in separate trustee administered funds, which are funded by contributions from both the Bank and employees. The Bank and all its employees also contribute to the Social Security National Insurance Trust, which is a defined contribution scheme.

The Bank's contributions to the defined contribution schemes are charged to the income statement in the year to which they relate.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Bank participates in the holding company's defined benefit scheme for its expatriate staff. There is no agreement or stated policy for charging the net defined benefit cost for the plan as a whole to the individual group entities. The Bank therefore recognises a cost equal to its contribution payable for the year in the income statement. The liability recognised in the balance sheet for the defined benefit plan is the total of two month's basic salary for each year worked for each expatriate staff.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

2. Summary of significant accounting policies (continued)

(k) Employee benefits (continued)

(ii) Other entitlements

The estimated monetary liability for employees' outstanding annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(l) 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 income statement over the period of the borrowings using the effective interest method.

(m) Stated capital

Ordinary shares are classified as equity.

(n) Fiduciary activities

The Bank commonly 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 Bank.

(o) Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

(p) Financial guarantees

Financial guarantees are initially recognised in the financial statements at fair value on the date that 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 over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date.

(q) Pre-operational expenses

All administrative and other related start-up cost incurred prior to commencement of operations are expensed as incurred.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. Financial risk management

The Bank has exposure to credit, liquidity and market risks from its use of financial instruments. The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Board has established the Asset and Liability Management committee (ALCO), Credit Committee and a Risk Management Department, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. The committees include members of executive management and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market condition, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board's Risk Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework established in the bank to mitigate risks. This committee is assisted in these functions by the Internal Audit and Inspection Department of the Bank which ensures a consistent assessment of risk management controls and procedures through both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board's Risk Committee through the Board Audit Committee.

3.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to pay amounts in full when due. Credit risk is the most important risk for the Bank's business: management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control is performed by the credit risk team in the risk department, which reports regularly to the Board of Directors.

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. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

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, but a significant portion is personal lending where no such facilities can be obtained.

The Credit Committee, a sub-committee of the board has responsibility for credit risk issues. Procedures for managing credit risk are determined at the business levels with specific policies and procedures being adapted to different risk environment and business goals.

The Credit Department working with the Risk Officer takes responsibility for managing pricing for risk, portfolio diversification and overall asset quality within the requirements of Bank's standards, policies and business strategy.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. Financial risk management (continued)

3.1 Credit risk (continued)

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, but a significant portion is personal lending where no such facilities can be obtained.

The Credit Committee, a sub-committee of the board has responsibility for credit risk issues. Procedures for managing credit risk are determined at the business levels with specific policies and procedures being adapted to different risk environment and business goals.

The Credit Department working with the Risk Officer takes responsibility for managing pricing for risk, portfolio diversification and overall asset quality within the requirements of Bank’s standards, policies and business strategy.

3.1.1 Credit management and provisioning

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan and securities agreement. These are classified as impaired by the Loans Review Committee, which is charged with the responsibility of periodic review of all loans, if it is more than 30 days past due.

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the bank believes that impairment is not appropriate on the basis of the level of security and collateral available and or the stage of collection of amounts owed to the Bank.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower’s financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Credit Department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller standardised loans, charge off decisions generally are based on a product specific past due status.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. Financial risk management

3.1 Credit risk (continued)

3.1.1 Credit management and provisioning (continued)

Settlement of transaction

The Bank's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed. The Bank mitigates this risk by assessing the cashflow of the customer before the loan is made available as well as by putting preference on instalment repayment of loan facilities as against final lump sum payment.

Collateral security against loans and advances

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of a reverse repurchase and securities borrowing activity.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.1.2 Maximum exposure to credit risk

The maximum exposure to credit risk before collateral held at the end of the year was:

	2009	2008
Due from other banks	3,483,325	2,755,189
Pledged assets	2,778,367	579,447
Loans and advances to customers	7,923,377	2,247,845
Other assets	2,748,750	1,009,163
Investment securities - available-for-sale	114,786	4,362,458
Total on balance sheet	17,048,605	10,754,102
Credit risk exposure relating to off-balance sheet items:		
- Letters of credit	1,873,341	362,611
- Guarantee and performance bond	3,239,269	100,978
Total off-balance sheet	5,112,610	463,589
	22,161,215	11,217,691

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. **Financial risk management (continued)**

3.1 Credit risk (continued)

3.1.2 Credit management and provisioning (continued)

The above table represents a worst case scenario of credit risk exposure to the Bank 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 carrying amounts as reported in the balance sheet.

As shown above, 36% of the maximum exposure is derived from loans and advances to customers (2008: 20%) and 16% derived from exposure to other banks (2008: 25%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and debt securities based on the following:

- the Bank exercises stringent controls over the granting of new loans
- 91% of the loans and advances portfolio are neither past due nor impaired
- 95% of the loans and advances portfolio are backed by collateral
- 100% of the available-for-sale financial assets are Treasury bills.
- 100% of the pledged assets are Treasury bills.

Loans and advances to customers are summarised as follows:

	2009	2008
Neither past due nor impaired	**7,417,319**	2,247,845
Past due but not impaired	**115,204**	-
Individually impaired loans	**539,835**	-
Gross loans and advances	**8,096,358**	2,247,845
Less: allowance for impairment	**(172,981)**	-
Net loans and advances	**7,923,377**	2,247,845

3.1.3 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. The gross amounts of loans and advances that were past due but not impaired are as follows:

	2009	2008
Past due 61 to 90 days	**115,204**	-
Fair value of collaterals	**430,048**	-

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. Financial risk management (continued)

3.1 Credit risk (continued)

3.1.4 Loans and advances individually impaired

Of the total gross amount of impaired loans, the following amounts have been individually assessed:

	2009	2008
Individually assessed impaired loans and advances		
- Corporate	**409,353**	-
- Small and medium scale enterprises	**130,482**	-
	539,835	-
Fair value of collateral	**366,853**	-

There were no collectively assessed impaired loans and advances for the current and prior year.

3.1.5 Concentrations of risk

The following table breaks down the loans credit exposure at carrying amount (without taking into account any collateral held) as categorised by industry sectors:

	2009	2008
Mining and quarrying	**64,319**	851,795
Manufacturing	**611,646**	-
Construction	**1,499,240**	-
Electricity, gas and water	**579,632**	-
Commerce and finance	**2,589,883**	395,596
Transport, storage and communications	**706,246**	-
Services	**1,780,166**	853,565
Miscellaneous	**265,226**	146,890
Gross loans and advances	**8,096,358**	2,247,845
Less: allowance for impairment	**(172,981)**	-
	7,923,377	2,247,845

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. Financial risk management (continued)

3.2 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

Liquidity risk management is governed by the Bank's Asset and Liability Management Committee (ALCO), which is chaired by an Executive Director. ALCO is responsible for both statutory and prudential liquidity. These responsibilities include the provision of authorities, policies and procedures. ALCO has primary responsibility for compliance with regulations and Bank policy and maintaining a liquidity crisis contingency plan.

A substantial portion of the Bank's assets are funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. Lending is normally funded by liabilities in the same currency.The Bank also maintains significant levels of marketable securities either for compliance with local statutory requirements or as prudential investments of surplus funds.

ALCO oversees the structural foreign exchange and interest rate exposures that arise within the Bank. These responsibilities are managed through the provision of authorities, policies and procedures that are co-ordinated by ALCO. Compliance with Bank ratios is also monitored by ALCO.

The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The treasury department monitors liquidity ratios on a daily basis.

3.2.1 Liquidity risk management process

The Bank's liquidity management process, as carried out with the Bank and monitored by ALCO, include:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;

- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; and

- Monitoring the liquidity ratio of the balance sheet against internal and regulatory requirement.

Monitoring and reporting take the form of cash projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets. The treasury also monitors undrawn lending commitments and aspects of contingent liabilities such as standing letters of credit and guarantees.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. Financial risk management (continued)

3.2 Liquidity risk (continued)

3.2.2 Non derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the bank under non-derivative financial liabilities and assets held for managing liquidity risk by reviewing contractual maturities at the balance sheet date. The amount disclosed in the table are the contractual undiscounted cash flows:

Year ended 31 December 2009	0 - 3 Months	3 - 6 Months	6 - 12 Months	Over 1 Year	Total
Liabilities					
Due to other banks	1,001,775	-	-	-	1,001,775
Customer deposits	5,750,871	8,321,984	5,808,266	-	19,881,121
Other liabilities	613,838	393,364	324,547	-	1,331,749
Total liabilities (Contracted maturity dates)	**7,366,484**	**8,715,348**	**6,132,813**	-	**22,214,645**
Assets					
Cash and balances with Bank of Ghana	2,543,278	-	-	-	2,543,278
Due from other banks	3,483,325	-	-	-	3,483,325
Investment securities - available-for-sale	128,897	-	-	-	128,897
Loans and advances to customers	1,262,897	1,424,502	1,632,883	5,541,278	9,861,560
Pledged assets	1,025,701	1,924,639	-	-	2,950,340
Other assets	11,012	-	-	-	11,012
Assets held for managing liquidity (contractual maturity)	**8,455,110**	**3,349,141**	**1,632,883**	**5,541,278**	**18,978,412**
Net liquidity gap	**(1,088,626)**	**5,366,207**	**4,499,930**	**(5,541,278)**	**3,236,233**

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. **Financial risk management (continued)**

3.2 Liquidity risk (continued)

Year ended 31 December 2008

	0 - 3 Months	3 - 6 Months	6 - 12 Months	Over 1 Year	Total
Liabilities					
Deposits from customers	5,038,195	28,247	-	-	5,066,442
Other liabilities	287,850	-	671,919	-	959,769
Total liabilities (Contracted maturity dates)	**5,326,045**	**28,247**	**671,919**	**-**	**6,026,211**
Assets					
Cash and balances with Bank of Ghana	2,094,936	-	-	-	2,094,936
Investment securities - available-for-sale	4,362,458	-	-	-	4,362,458
Due from other banks	2,768,955	-	-	-	2,768,955
Loans and advances to customers	292,500	261,799	1,338,732	1,393,872	3,286,903
Pledged assets	579,447	-	-	-	579,447
Other Assets	2,310	-	-	-	2,310
Assets held for managing liquidity (contractual maturity)	**10,100,606**	**261,799**	**1,338,732**	**1,393,872**	**13,095,009**
Net liquidity gap	**(4,774,561)**	**(233,552)**	**(666,813)**	**(1,393,872)**	**(7,068,798)**

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. Financial risk management (continued)

3.3 Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risk rests with the Assets and Liabilities Committee (ALCO). The Treasury department is responsible for the development of detailed risk management policies (subject to review and approval by (ALCO) and for the day to day implementation of those policies.

3.3.1 Foreign exchange risk

Foreign exchange risk is the risk to earnings and capital arising from sudden changes in the relative prices of different currencies. It can arise directly through making loans in a currency other than the local currency of the obligor or buying foreign issued securities. It can also arise when assets and liabilities are denominated in foreign currencies. The Bank is also exposed to foreign exchange risk arising from adverse changes in currency exchange rates used to translate carrying values and income streams in foreign currencies to the Ghana Cedi, the Bank's reporting currency.

All foreign exchange purchases and sales are coordinated by Treasury Department. The Bank does not normally hold positions to manage the risk associated with foreign exchange. The Treasury Department ensures that before a purchase deal is contracted, sales deal for the day had been done, hence purchases are done to match sales deals

The table following summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2009. Included in the table are the Bank's assets, liabilities and off balance sheet items at carrying amounts categorised by currency. The amounts stated in the table are the Ghana Cedi equivalent of the foreign currencies.

Year ended 31 December 2009

	Ghana Cedis	USD	GBP	EURO	Total
Assets					
Cash and balances with Bank of Ghana	1,994,603	453,230	20,566	74,879	**2,543,278**
Investment securities - available–for-sale	114,786	-	-	-	**114,786**
Due from other banks	344,241	1,947,301	35,877	1,155,906	**3,483,325**
Loans and advances to customers	7,660,523	262,854	-	-	**7,923,377**
Pledged assets	2,778,368	-	-	-	**2,778,368**
Other assets	11,012	-	-	-	**11,012**
Total assets	**12,903,533**	**2,663,385**	**56,443**	**1,230,785**	**16,854,146**
Liabilities					
Due to other banks	1,000,518	-	-	-	**1,000,518**
Deposits from customers	14,197,636	4,894,732	15,185	65,568	**19,173,121**
Other liabilities	159,046	64,041	-	324,547	**1,331,750**
Total liabilities	**16,141,316**	**4,958,773**	**15,185**	**390,115**	**21,505,389**
Net on balance sheet position	**(3,237,783)**	**(2,295,388)**	**41,258**	**840,670**	**(4,651,243)**
Net off balance sheet position	**2,333,209**	**2,779,401**	**-**	**-**	**5,112,609**

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. **Financial risk management (continued)**

3.3 Market risk (continued)

3.3.1 Foreign exchange risk (continued)

Year ended 31 December 2008

	Ghana cedis	USD	GBP	EURO	Total
Assets					
Cash and balances with Bank of Ghana	659,434	1,382,002	3,054	50,446	**2,094,936**
Investment securities - available-for-sale	4,362,458	-	-	-	**4,362,458**
Due from other banks	127,901	1,651,303	-	975,985	**2,755,189**
Loans and advances to customers	1,534,269	713,576	-	-	**2,247,845**
Pledged assets	579,447	-	-	-	**579,447**
Other assets	2,310	-	-	-	**2,310**
Total assets	**7,265,819**	**3,746,881**	**3,054**	**1,026,431**	**12,042,185**
Liabilities					
Deposits from customers	1,709,965	2,590,961	342	760,043	**5,061,311**
Other liabilities	159,046	27,047	-	773,676	**959,769**
Total liabilities	**1,869,011**	**2,618,008**	**342**	**1,579,719**	**6,021,080**
Net on-balance sheet position	**5,396,808**	**1,123,873**	**2,712**	**(553,288)**	**6,021,105**
Net off-balance sheet position	**100,978**	**362,611**	**-**	**-**	**463,589**

3.3.2 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; changes in the shape of market interest rate curves producing different effects on yields on similar instruments with different maturity dates; changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar repricing characteristics; interest-related options embedded in contracts with customers, such as the right for borrowers to prepay their loans or for depositors to withdraw funds at any time. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, thus monitored daily.

The Bank’s interest rate exposures comprise mainly non-trading interest rate exposures. Structural interest rate risk arises from the differing re-pricing characteristics of commercial banking assets and liabilities. The Board of Directors sets limits on the level of mismatch interest rate repricing that may be undertaken. This is monitored daily.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. Financial risk management (continued)

3.3 Market risk (continued)

3.3.2 Interest rate risk (continued)

The table below summarises the bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off-balance sheet items.

Year ended 31 December 2009	0 - 3 Months	3 - 6 Months	6 - 12 Months	Over 1 Year	Non-interest bearing	Total
Assets						
Cash and balances with Bank of Ghana	-	-	-	-	2,543,278	**2,543,278**
Due from other banks	1,755,398	-	-	-	1,727,927	**3,483,325**
Investment securities – available-for-sale	114,786	-	-	-	-	**114,786**
Loans and advances to customers	7,923,377	-	-	-	-	**7,923,377**
Pledged assets	1,011,998	1,766,370	-	-	-	**2,778,368**
Other assets	-	-	-	-	11,012	**11,012**
Total assets	10,805,559	1,766,370	-	-	4,282,217	**16,854,146**
Liabilities						
Due to other banks	1,000,518	-	-	-	-	**1,000,518**
Customer deposits	5,740,735	4,528,417	2,010		8,901,960	**19,173,121**
Other liabilities	-	-	-	-	1,331,749	**1,331,749**
Total liabilities	6,741,253	4,528,417	2,010	-	10,233,709	**21,505,388**
Total interest repricing gap	**4,064,307**	**(2,762,047)**	**(2,010)**	**-**	**(5,951,492)**	**(4,651,242)**

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3.3 Market risk (continued)

3.3.2 Interest rate risk (continued)

Year ended 31 December 2008	0 - 3 Months	3 - 6 Months	6 - 12 Months	Over 1 Year	Non-interest bearing	Total
Assets						
Cash and balances with Bank of Ghana	-	-	-	-	2,094,936	**2,094,936**
Due from other banks	4,362,458	-	-	-	-	**4,362,458**
Investment securities – available-for-sale	1,223,715	-	-	-	1,531,474	**2,755,189**
Loans and advances to customers	256,863	493,216	592,518	905,248	-	**2,247,845**
Pledged assets	579,447	-	-	-	-	**579,447**
Other assets	-	-	-	-	2,310	**2,310**
Total assets	6,422,483	493,216	592,518	905,248	3,628,720	**12,042,185**
Liabilities						
Customer deposits	1,168,186	28,247	-	-	3,864,878	**5,061,311**
Other liabilities	-	-	-	-	959,769	**959,769**
Total liabilities	1,168,186	28,247	-	-	4,824,647	**6,021,080**
Total interest repricing gap	**5,254,297**	**464,969**	**592,518**	**905,248**	**(1,195,927)**	**6,021,105**

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.

3.4 Fair values of financial assets and liabilities

The table below summarises the carrying amounts and fair value of those financial assets and liabilities not presented on the Bank's balance sheet at their fair values

	Carrying value		**Fair value**	
	2009	2008	**2009**	2008
Loans and advances to customers	**7,923,377**	2,247,845	**7,591,689**	2,751,743

The fair values of the Bank's other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual re-pricing or maturity dates. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Bank at the balance sheet date.

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:

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

3. Financial risk management (continued)

3.4 Fair values of financial assets and liabilities (continued)

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

At the balance sheet date, the financial instrument classified as available for sale amounting to GH¢2,893,154 (2008: GH¢4,941,905). We re-measured using input based on observable market data other than quoted prices (Level 2).

3.5 Country analysis

	2009		2008	
	In Ghana	**Outside Ghana**	In Ghana	Outside Ghana
Assets				
Cash and balances with Bank of Ghana	**2,543,278**	-	2,094,936	-
Due from other banks	**344,104**	**3,139,221**	1,356,905	1,398,284
Investment securities – available-for-sale	**114,786**	-	4,362,458	-
Loans and advances to customers	**7,923,377**	-	2,247,845	-
Pledged assets	**2,778,368**	-	579,447	-
Property and equipment	**5,426,854**	-	731,065	-
Intangible assets	**213,420**	-	191,067	-
Other assets	**2,748,750**	-	1,009,163	-
				-
Total assets	**22,092,937**	**3,139,221**	12,572,886	1,398,284
Liabilities				
Due to other banks	**1,000,518**	**-**	-	-
Deposits from customers	**19,173,121**	**-**	5,061,311	-
Retirement benefits obligation	**57,648**	**-**	46,020	-
Other liabilities	**1,163,600**	**324,547**	327,872	671,919
Total liabilities	**21,394,887**	**324,547**	5,435,203	671,919

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

4. Capital management

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

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

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Ghana for supervisory purposes. The required information is filed with Bank of Ghana on a monthly basis. At the balance sheet date, Bank of Ghana (BoG) requires the bank to:

(a) hold a minimum level of regulatory capital of GH¢7 million (2008: GH¢7 million). The bank was given a special dispensation to raise its capital up to GH ¢25 million by end of March 2010.
(b) maintain a ratio of total regulatory capital to the risk-weighted assets plus risk- weighted off-balance sheet assets at or above the required minimum of 10%;

The bank's total regulatory capital is divided into two tiers:

- Tier 1 capital (core capital): stated capital plus general bank reserve, statutory reserve, income surplus and reserves created by appropriations of income surplus; and
- Tier 2 capital (supplementary capital): 25% (subject to prior approval) of revaluation reserves, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of the credit risk associated with – each asset and counterparty

The table below summarises the composition of regulatory capital and the ratios of the bank at 31 December:

The total regulatory capital is GH¢3,489,115 (2008: GH¢7,844,709) because the bank did not hold any Tier 2 capital.

	2009	2008
Tier 1 capital		
Stated capital	**9,297,500**	9,297,500
Income surplus account	**(5,906,409)**	(1,483,059)
Statutory credit risk reserve	**(8,549)**	26,867
Total qualifying tier 1 capital	**130,182**	22,740
	3,512,724	7,864,048
Risk-weighted assets		
On-balance sheet		
Off-balance sheet	**17,009,066**	4,730,177
	4,062,417	2,044,445
Total risk-weighted assets	**21,071,483**	6,774,622
Capital adequacy ratio	**16.67%**	116.08%

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

5. **Critical accounting estimates and judgements in applying accounting policies**

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) **Impairment losses on loans and advances**

The Bank 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 Bank makes judgements 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 national or local 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.

(b) Impairment of available-for-sale financial assets

The Bank determines that available-for-sale financial assets 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 judgement. In making this judgement, the Bank evaluates among other factors, the normal volatility in market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

(c) Fair value of financial instruments

The 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.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

6. **Interest income**

	2009	2008
Placements with local banks	**205,708**	845,499
Placements with foreign banks	**4,994**	645
Investment securities - available-for-sale	**785,195**	401,492
Loans and advances	**1,417,134**	73,346
	2,413,031	1,320,982

7. **Interest expense**

Time deposit accounts	**1,049,753**	78,563
Time savings accounts	**8,033**	739
Borrowings	**27,083**	-
Due to the parent company	**36,329**	42,585
	1,121,198	121,887

8. **Fees and commission income**

Letters of credits and guarantees	**78,781**	7,505
Funds transfer	**108,622**	34,266
Credit related fees	**130,451**	22,545
Cheques and collections	**23,728**	1,997
Other commission income	**101**	2,542
	341,683	68,855

9. **Other operating income**

Fair value gain on investment securities – available-for-sale	**26,867**	-
Dealing income comprise:		
- Foreign exchange (net)	**218,441**	63,130
- Other income	**1,369**	31
	246,677	63,161

10. **Staff costs**

Wages and salaries	**1,862,091**	546,328
Employer's social security contributions	**128,702**	45,658
Medical expenses	**52,485**	15,520
Other staff costs	**398,112**	43,246
	2,441,390	650,752

Included in other staff costs is an amount of **GH¢95,587** (2008 GH¢40,022) being contributions to the Bank's defined contribution scheme.

The number of persons employed by the bank at the end of the year was **163** (2008: 43).

11. **Operating lease rentals**

	2009	2008
Office premises	**658,371**	167,228
Leasehold land	**12,531**	-
	670,902	167,228

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

12. Operating expenses

	2009	2008
Operating expenses include:		
Advertising and marketing expenses	**254,033**	15,236
Administrative expenses	**709,407**	480,024
Bank charges	**90,106**	33,394
Business travel expenses	**206,423**	107,450
Presentations and donations	**2,675**	9,559
Software and other IT costs	**167,550**	103,793
Training	**118,126**	22,084
Professional fees	**105,478**	718
Directors' emoluments	**481,268**	384,267
Auditors' remuneration	**61,662**	43,468
Technical assistance fees	**300,589**	154,601
Pre-incorporation expenses	**-**	680,409
	2,497,317	2,035,003
The following items are included within directors' emoluments:		
- defined benefits scheme current service cost	**11,628**	46,020
- defined contribution scheme contributions	**6,830**	-

13. Depreciation and amortisation

	2009	2008
Depreciation of property and equipment (Note 20)	**366,002**	125,127
Amortisation of intangible assets (Note 21)	**47,509**	5,702
	413,511	130,829

14. Income tax expense

In accordance with article (4) of the agreement between the Government of the Republic of Ghana and Banque Sahelo-Saharienne Pour L'Investissement et Le Commerce Tripoli (Libya) signed on 14 December 2006, Banque Sahelo-Saharienne Pour L'Investissement et Le Commerce (Ghana) Limited is exempted from all taxes. As a result, the Bank has not made any provision for corporate income tax.

15. Cash and balances with Bank of Ghana

	2009	2008
Cash in hand	**1,038,817**	182,319
Balances with Bank of Ghana (non-mandatory)	**193,589**	1,743,016
Unrestricted cash and balances with Bank of Ghana	**1,232,406**	1,925,335
Mandatory reserve deposit with Bank of Ghana	**1,310,872**	169,601
	2,543,278	2,094,936

The mandatory reserve deposit is not available to finance day to day operations and does not attract interest.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

16. Investment securities - available-for-sale

	2009	2008
Treasury bills	114,786	4,362,458

All amounts above are current

The movement in investment securities - available-for-sale is as follows:

	2009	2008
At January 1	4,362,458	-
Additions	4,242,433	5,872,038
Disposals	(5,703,188)	(957,000)
Pledged assets (Note 20)	(2,778,368)	(579,447)
Net gains/(losses) from changes in fair value (Note 31)	(8,549)	26,867
At December 31	114,786	4,362,458

All treasury bills mature within 90 days of the date of acquisition.

Treasury bills are debt securities issued by the Bank of Ghana for a term of three months, six months or a year. Treasury bills have been classified as available-for-sale financial assets.

17. Due from other banks

	2009	2008
Due from foreign banks	1,383,118	1,398,284
Due from other local banks	194,214	14,516
Placements with banks	1,756,102	1,232,760
Items in course of collection	149,890	109,629
	3,483,325	2,755,189

All amounts above are current.

18. Loans and advances to customers

Analysis of loans and advances by type is as follows:

	Gross amount	Impairment allowance 2009	Carrying amount	Gross amount	Impairment allowance 2008	Carrying amount
Corporate customers	7,571,371	172,981	7,398,390	2,076,448	-	2,076,448
Overdraft and credit lines	4,996,366	-	4,996,366	650,405	-	650,405
Short term loans	1,735,226	172,981	1,562,245	712,467	-	712,467
Medium term loans	839,779	-	839,779	713,576	-	713,576
Retail customers	524,987	-	489,111	171,397	-	171,397
Overdraft and credit lines	6,304	-	6,304	388	-	388
Personal loans	254,751	-	254,751	36,729	-	36,729
Staff loans	263,932	-	263,932	134,280	-	134,280
	8,096,358	172,981	7,923,377	2,247,845	-	2,247,845

The maximum amount of staff indebtedness during the year amounted to GH¢318,072 (2008: GH¢188,750).

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

18. Loans and advances to customers (continued)

Analysis of loans and advances by business sector is as follows:

	2009	2008
Mining and quarrying	**64,319**	851,794
Manufacturing	**611,200**	-
Construction	**1,497,628**	-
Electricity, gas and water	**579,632**	-
Commerce and finance	**2,590,295**	395,596
Transport, storage and communications	**708,039**	-
Services	**1,803,865**	853,564
Miscellaneous	**241,380**	146,890
Gross loans and advances	**8,096,358**	2,247,845
Less: allowance for impairment	**(172,981)**	-
Net loans and advances	**7,923,377**	2,247,845

Analysis of loans by customer type is as follows:

	2009	2008
Private enterprises	**7,337,685**	2,038,948
Associations and other organisations	**233,687**	37,500
Individuals	**524,987**	171,397
Gross loans and advances	**8,096,358**	2,247,845
Less: allowance for impairment	**(172,981)**	-
Net loans and advances	**7,923,377**	2,247,845

The total impairment charge to the income statement during the year represents 2% of the gross loans at the year end (2008: Nil).

The fifty largest exposures by customers constitute 78.7% of the gross loans at the year end (2008: 100%).

The total amount of allowance for impairment represent 3.5% of gross loans at the year end (2008: 1%).

Analysis of loans and advances by maturity is as follows:

	2009	2008
Current	**6,754,711**	1,342,597
Non-current	**4,779,865**	905,248
	8,096,358	2,247,845

Movement in impairment allowance is as follows:

	2009	2008
At 1 January	**-**	-
Impairment charge for the year	**172,981**	-
At 31 December	**172,981**	**-**

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

19. Pledged assets

	Asset		Related liability	
	2009	2008	**2009**	2008
Treasury bills	**2,778,368**	579,447	**3,000,000**	1,000,000

Assets are pledged as collateral for deposits taken from certain financial institutions.

Maturity of pledged assets from date of acquisition is as follows:

	2009	2008
Maturing within 90 days	**1,012,102**	579,447
Maturing after 90 days	**1,766,266**	-
	2,778,368	579,447

20. Property and equipment

	Capital improvements on office premises	Furniture and equipment	Computers	Motor vehicles	Capital work-in-progress	Total
Cost						
At 1 January 2009	196,925	248,260	212,360	198,647	-	**856,192**
Additions	2,599,522	1,004,206	527,346	567,196	363,521	**5,061,791**
At 31 December 2009	**2,796,447**	**1,252,466**	**739,706**	**765,843**	**363,521**	**5,917,983**
Depreciation						
At 1 January 2009	14,769	28,382	52,905	29,071	-	**125,127**
Charge for the year	81,834	106,616	66,455	111,097	-	**366,002**
At 31 December 2009	**96,603**	**134,998**	**119,360**	**140,1678**	-	**491,129**
Net book value						
At 31 December 2009	**2,699,844**	**1,117,468**	**620,346**	**625,675**	**363,521**	**5,426,854**
Cost						
At 1 January 2008	110,267	53,805	6,743	33,353	-	204,168
Additions	86,658	194,455	205,617	165,294	-	652,024
At 31 December 2008	196,925	248,260	212,360	198,647	-	856,192
Depreciation						
At 1 January 2008	-	-	-	-	-	-
Charge for the period	14,769	28,382	52,905	29,071	-	125,127
At 31 December 2008	14,769	28,382	52,905	29,071	-	125,127
Net book value						
At 31 December 2008	182,156	219,878	159,455	169,576	-	731,065

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

21. Intangible assets

	2009	2008
Cost		
At 1 January	**196,769**	-
Additions	**69,862**	196,769
At 31 December	**266,631**	196,769
Amortisation		
At 1 January	**5,702**	-
Amortisation for the year	**47,509**	5,702
At 31 December	**53,211**	5,702
Net book value		
At 31 December	**213,420**	191,067

22. Other assets

	2009	2008
Prepaid operating lease - leasehold land	**614,035**	626,566
Prepayments	**2,091,846**	373,139
Stationery and other stock	**31,857**	7,148
Other receivables	**11,012**	2,310
	2,748,750	1,009,163

All other assets are current

23. Due to other banks

Due to local banks	**1,000,518**	-

All amounts due to other banks are current.

24. Deposits from customers

Current and call account	**8,080,947**	3,819,897
Savings account	**362,055**	31,615
Cash collateral	**818,758**	10,537
Time deposit	**9,909,106**	1,198,611
Other deposits	**2,255**	651
	19,173,121	5,061,311

Analysis by type of customer is as follows:

Private enterprises	**7,647,941**	3,116,854
Public enterprises	**5,577,905**	500,000
Associations and other organisations	**2,779,178**	1,255,647
Individuals	**2,809,864**	159,017
Other	**358,233**	33,793
	19,173,121	5,061,311

The twenty largest depositors constitute 63% (2008: 86%) of the total depositors at the balance sheet date.

All amounts are current.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

25. **Retirement benefits obligation**

Defined benefit scheme	**57,648**	46,020

The retirement benefit obligation relates to a scheme set up by the parent company for its employees. Staff of the parent company who are engaged by the bank continue to enjoy the benefits of the scheme. The bank recognises a liability equal to two month's basic salary for each year of service.

Movement in retirement benefits is as follows:	**2009**	2008
At 1 January	**46,020**	-
Current service cost	**27,937**	46,020
Past service cost	**(16,309)**	-
At 31 December	**57,648**	46,020

Currently there are three (3) employees on the scheme.

26. **Other liabilities**

	2009	2008
Deferred income	**183,947**	50,796
Items in course of collection	**159,008**	113,241
Other accounts payable	**820,645**	163,835
Due to parent company	**324,547**	671,919
	1,488,147	999,791

27. **Stated capital**

	2009		2008	
	No. of shares	**Proceeds**	No. of shares	Proceeds
Authorised				
Ordinary shares of no par value	**500,000,000**		500,000,000	
Issued				
For cash consideration	**3,000**	**9,297,500**	3,000	9,297,500

There is no unpaid liability on any shares. There are no treasury shares held. There are no calls or instalments unpaid.

28. **Statutory reserve fund**

Section 29 (1) of the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act of 2007, Act (738) requires a cumulative amount to be set aside from annual net profit after tax into a statutory reserve fund. The proportion of net profit 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. As the Bank did not make any net profit in 2008 and 2009, no appropriation has been made. This reserve is non-distributable.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

29. **Regulatory credit risk reserve**

	2009	2008
At 1 January	**22,740**	-
Provision for the year	**107,442**	22,740
At 31 December	**130,182**	22,740

The regulatory credit risk reserve represents the excess of impairment provisions determined in accordance with the Bank of Ghana Prudential Regulations over the impairment provisions recognised in accordance with the Bank's accounting policy. This reserve is non-distributable.

30. **Income surplus account**

	2009	2008
At 1 January	**(1,483,059)**	192,382
Loss for the year	**(4,342,774)**	(1,652,701)
Transfer to regulatory risk reserve	**(107,442)**	(22,740)
Balance at 31 December	**(5,933,275)**	(1,483,059)

31. **Revaluation reserve**

Balance at 1 January	**26,867**	-
Unrealised (loss)/gain on investment securities – available-for-sale	**(8,549)**	26,867
Realised gain on investment securities – available-for-sale	**(26,867)**	-
	(8,549)	26,867

The revaluation reserve represents net change in the fair value of investment securities – available-for-sale during the year.

32. **Off balance sheet financial instruments, contingent liabilities and commitments**

In common with other banks, the bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

Contingent liabilities	**2009**	2008
Acceptances and letters of credit	**1,873,340**	362,611
Guarantees	**3,239,269**	100,978
	5,112,609	463,589

Nature of contingent liabilities

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, and reimbursement by the customer is normally immediate. Letters of credit commit the bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Guarantees are generally written by a bank to support performance by a customer to third parties. The bank will only be required to meet these obligations in the event of the customer's default.

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

32. **Off balance sheet financial instruments, contingent liabilities and commitments (continued)**

Operating lease commitments	**2009**	2008
Not later than one year	**1,336,224**	191,955
Later than 1 year and not later than 5 years	**677,051**	159,604
Later than 5 years	**551,482**	588,972
	2,564,727	940,531

Other commitments

Undrawn formal stand-by facilities, credit lines and other commitments to lend	**983,100**	1,146,475
Purchase of property and equipment	**-**	358,200

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.

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

Cash and cash equivalents	**2009**	2008
Cash and balances with Bank of Ghana (Note 15)	**1,232,406**	1,925,335
Investment securities - available-for-sale (Note 16)	**114,786**	4,362,458
Due to other banks (Note 23)	**(1,000,518)**	-
Due from other banks (Note 17)	**3,483,325**	2,755,189
	3,829,999	9,042,982

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: unrestricted cash and balances with Bank of Ghana, amounts due from other banks and due to banks.

Banks are required to maintain a prescribed minimum cash balance with the Bank of Ghana that is not available to finance the bank's day-to-day activities.

34. **Related party transactions**

The Bank is controlled by Banque Sahelo Saharienne pour l'Investissement et le Commerce (BSIC) Tripoli, (Libya). There are twelve other banks on the African continent (BSIC Affiliates) which are related to the Bank through common shareholding or common directorships.

In the normal course of business, current accounts are operated and placements of foreign currencies are made with the parent company and the affiliates at interest rates in line with the market. The relevant balances with related parties are shown below:

NOTES (continued)
(All amounts are in Ghana cedis unless otherwise stated)

34. **Related party transactions (continued)**

Amounts due to parent company:

	2009	2008
BSIC Libya	**324,547**	671,919
Interest expense incurred	**36,329**	42,584

Key management compensation

Salaries and other allowances	**247,680**	163,190
Post-employment benefits	**15,354**	12,275
	263,034	175,465

Directors' remuneration

Other emoluments (including director's sitting allowance)	**481,268**	384,267

Loans to key management

Balance at 1 January	**-**	-
Additions	**92,509**	-
Payments made during the year	**(24,280)**	-
Balance at 31 December	**68,229**	-
Interest income earned	**4,831**	-

35. **Social responsibilities**

The amount spent on fulfilling social responsibilities for the year was GH¢7,674 (2008: GH¢9,559)

36. **Restatement of prior year figures**

The Bank changed its accounting policy on pre-operational expenses during the year. Previously, pre-operational expenses were recognised as a deferred expenditutre and amortised over five years. At 1 January 2009 the Bank revised the policy. Deferred expenditure in respect of the pre-operational cost should be expensed as incurred. This change in accounting policy was made to comply with IAS 38 (Intangible assets). In accordance with IAS 8 (Accounting policies, changes in accounting estimates and errors) the following adjustments have been made to restate the comparative figures to the earlier prior period presented.

The effect is as follows:

	31 December 2008	**1 January 2008**
Net effect: income surplus at 1 January	579,747	-
Pre-operational expenses reduced by	530,060	579,747
Net effect: income surplus reduced by	1,109,807	579,747
Net effect: other assets reduced by	1,109,807	579,747