SAHEL SAHARA BANK

Banque Sahelo-Saharienne Pour L'Investissement et Le Commerce (Ghana) Limited

UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE 2012

NOTES

(All amounts are in Ghana cedis unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are expressed in Ghana Cedis)

	2012 June	2011 June	Growth Rate
Interest income	**8,903,800**	5,515,257	61%
Interest expenses	**(2,119,352)**	(1,210,139)	75%
Net interest income	**6,784,448**	4,305,118	58%
Fees and commission income	**2,269,581**	1,437,884	58%
Other operating income	**1,278,958**	706,950	81%
Operating income	**10,332,987**	6,449,952	60%
Staff costs	**3,379,070**	2,705,314	25%
Operating lease rentals	**650,587**	608,776	7%
Operating expenses	**2,077,489**	1,648,118	26%
Loan impairment charge	**882,084**	310,635	184%
Depreciation and amortisation	**651,893**	423,745	54%
Total expenses	**7,641,123**	5,696,589	34%
Profit (Loss) before income tax	**2,691,864**	753,364	257%
Income tax expense	**-**	-	
Profit (Loss) for the year	2,691,864	753,364	257%

STATEMENT OF OTHER COMPREHENSIVE INCOME

(All amounts are expressed in Ghana Cedis)

	2012 June	**2011 June**
Profit (Loss) for the year	**2,691,864**	753,364
- Unrealised gain/(loss) arising during the year	**419,591**	18,700
Total comprehensive income	**3,111,455**	**772,064**

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UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE 2012

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STATEMENT OF FINANCIAL POSITION

(All amounts are expressed in Ghana Cedis)

	2012 June	2011 June	Growth Rate
Assets			
Cash and balances with Bank of Ghana	**10,329,332**	7,127,268	45%
Investment securities – available-for-sale	**3,672,153**	7,666,562	-52%
Due from other banks	**26,278,483**	5,127,908	412%
Loans and advances to customers	**53,413,488**	31,170,768	71%
Pledged assets	**20,000,000**	6,000,000	233%
Property and equipment	**6,046,786**	6,266,668	-4%
Intangible assets	**202,124**	286,835	-30%
Other assets	**3,737,210**	2,080,708	80%
Total assets	**123,681,576**	65,726,717	88%
Liabilities			
Due to other banks	**3,754,358**	1,846,125	103%
Deposits from customers	**81,027,214**	39,617,898	105%
Retirement benefits obligation	**104,975**	79,882	31%
Other liabilities	**3,788,412**	1,950,146	94%
Total liabilities	**88,674,959**	43,494,051	104%
Equity			
Stated capital	**40,398,071**	30,059,071	34%
Statutory Reserve	**1,834,464**	-	0%
Regulatory credit risk reserve	**3,030,518**	527,471	475%
Income surplus account (deficit)	**(10,657,881)**	(8,554,176)	25%
Revaluation reserve	**401,445**	200,300	100%
Total shareholders' equity	**35,006,617**	22,232,666	57%
Total liabilities and shareholders' equity	**123,681,576**	65,726,717	88%

NOTES

(All amounts are in Ghana cedis unless otherwise stated)

STATEMENT OF CASH FLOWS

(All amounts are expressed in Ghana Cedis)

	2012 June	2011 June
Cash flows from operating activities		
Profit (Loss) before income tax	**2,691,864**	753,364
Adjustments for non cash items:		
Charge for impairment on loans and advances	**882,084**	310,635
Depreciation of property, plant and equipments	**651,893**	423,745
Cash generated from operating activities before change in operating assets and liabilities	**4,225,841**	1,487,744
Change in operating assets and liabilities		
Increase in mandatory cash reserve deposit	**(2,400,139)**	(2,090,761)
Increase in loans and advances to customers	**(22,492,401)**	(16,363,298)
Increase in pledged assets	**(14,000,000)**	(3,000,000)
Increase in other assets	**(1,656,504)**	(58,204)
Increase in deposits from customers	**41,409,316**	9,879,168
Increase in retirement benefit obligation	**25,093**	(48,954)
Increase in other liabilities	**1,838,266**	(680,130)
Net cash used in operating activities	**6,949,472**	(10,874,435)
Cash flow from investing activities		
Purchase of property and equipment	**(1,121,112)**	(948,003)
Purchase of intangible assets	**(117,754)**	(7,593)
Proceeds from disposal of Assets	**250**	-
Net cash used in investing activities	**(1,238,616)**	(955,596)
Net cash from financing activities		
Proceeds from issue of shares	**10,339,000**	-
Net decrease in cash and equivalents	**16,049,856**	(11,830,031)
Cash and cash equivalents at 1 July	**14,774,532**	26,604,563
Cash and cash equivalents at 30 June	**30,824,388**	14,774,532

NOTES

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QUANTITATIVE DISCLOSURE

	2012 June	2011 June
Capital Adequacy Ratio (CAR)	**38.5%**	41.6%
Non Performing Loan (NPL) Ratio	**17.9%**	6.8%

QUALITATIVE DISCLOSURE

Reporting entity

Sahel Sahara Bank (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 bank incorporated in Libya and operating in over fourteen other African countries. The address and registered office of the Bank is Glico House, 47 Kwame Nkrumah Avenue, Adabraka, Accra.

Significant accounting policies

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Additional Information required by the Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738) is included where appropriate. The financial statements have been prepared under the historical cost convention except for available-for-sale financial assets which have been measured at their fair value.

Financial risk management

The Bank has exposure to credit, liquidity and market risks from its use of financial instruments and operational, strategic and compliance risks from the various products, services and activities it is engaged in.

The Board of Directors have overall responsibility for the establishment and oversight of the Bank's risk management framework.

The Risk Management framework enjoins each member of the Bank's Management Team to play a role in the identification and management of risk through risk management processes being integrated with planning processes and embedded in management activities. The following key principles outline the Bank's approach to risk management:

- The identification and management of risk is linked to the achievement of the Bank's strategic goals
- Review procedures cover all identifiable risks, but notably strategic, credit, liquidity, market, operational and compliance risks
- Risk assessment and internal control are embedded in ongoing operations
- The Board of Directors, through its Committees on Audit and Risk Management, has overall responsibility for overseeing risk management and internal control within the Bank as a whole.
- The Executive Management, Heads of Departments, the Risk Management Committee, and the Risk Management Department support, advise and implement policies approved by the Board. The above mentioned are therefore responsible for encouraging and implementing

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(All amounts are in Ghana cedis unless otherwise stated)

- The Bank makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks as required under the Basel Accord, the Banking Act, the Bank of Ghana Regulatory Guidelines, and the various other Ghanaian and International laws related to prudent risk management.

- The principles established in the Bank's Risk Management policy guide the Bank's officers about the acceptable conduct of risk management activities in the Bank. The 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 maintain a disciplined and constructive control environment, in which all employees understand their roles and obligations

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, letters of credit and Guarantees. Credit risk management and control is performed by the Risk Management Department, which reports regularly to the Board of Directors.

The Bank structures the levels of credit risk exposures 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 reviewed quarterly by the Board and the Loans Review Committee.

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 credit ratings where appropriate.

Exposure to credit risk is also mitigated in part by obtaining collateral and corporate and personal guarantees which serve as secondary sources of repaying credits in the event of default.

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 takes responsibility for managing pricing for risk, portfolio diversification and overall asset quality within the requirements of the Bank's standards, policies and business strategy.

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
- 82% of the loans and advances portfolio are neither past due nor impaired (2011: 93%).
- 95% of the loans and advances portfolio are backed by collateral (2011: 91%).
- 100% of available-for-sale financial assets are held in Government of Ghana Treasury bills (2011: 100%).

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Liquidity risk

Liquidity risk is the risk that the Bank will be 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. The day to day management of the Bank's liquidity risk is handled by the Bank's Treasury Department, and monitored by the Risk Management Department, which reports regularly to the Risk Management Committee and the Board of Directors

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 the Treasury Department and monitored by Risk management. Compliance with Bank ratios is also monitored by the Treasury, Internal Audit, and Risk Management Departments.

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 maintains the liquidity ratios on a daily basis and is monitored by the Risk Management Department.

Liquidity risk management process

The Bank's liquidity management process, as carried out by the Treasury Department and supervised 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 statement of financial position against internal and regulatory requirement.

The liquidity management process is monitored by regularly by the Risk Management Department which reports to the Risk Management Committee and the Board of Directors.

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.

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

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Overall responsibility for managing market risk rests with the Assets and Liabilities Committee (ALCO), which is responsible for the development of liquidity risk management policies subject to review. The Treasury department is responsible for the day to day implementation of those policies and are monitored by the Risk Management Department, which reports regularly to the Risk Management Committee and the Board of Directors

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. 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

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by bank's treasury.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is the risk of loss arising from the potential that an inadequate information system, technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses or reputational problems.

The bank's operational risk management framework covers all products and business activities it is engaged in. The framework complies with the Basel Committee's sound practices for the management and supervision of operational risk and Bank of Ghana requirements and the prudential guidelines.

The Risk Management Committee has oversight of operational risk management. Its main tasks are to define and implement the strategy for controlling operational risks, establish methods of measurement and analysis and encourage the application of best practices in this regard.

The bank maintains records of all significant internal operating losses and key risk indicators, and are analysed regularly to serve as input in establishing corrective procedures.

Capital management
The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the statement of financial position, 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

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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 reporting date, Bank of Ghana (BoG) required the Bank to:

(a) hold a minimum level of regulatory capital of GH¢25 million.

(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): consisting 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 bank was given a special dispensation to meet the new minimum capital requirement of GH¢60 million by the end of December 2012. So far, the bank has meet all the arrangements put in place towards the full capitalisation.

Subsequent Events

The bank received an amount of GH¢11.8 million from its parent company, BSIC Libya, on 2nd July 2012 as the first tranche of the additional capital requirement as agreed with Bank of Ghana.

HADI IDDRIS	**ROBERT KOW BENTIL**
BOARD CHAIRMAN	**MANAGING DIRECTOR**