



PRUDENTIAL BANK LIMITED

Annual Report, 2007



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CORPORATE MISSION

To provide domestic and international banking services with a strategic focus on project financing and export development. PBL is committed to play a positive and innovative role in the financial intermediation process and, most importantly, to offer the best and the most remunerative banking services to the business community. Quality, creativity and innovation are the hallmarks of PBL.



CORPORATE INFORMATION

Board of Directors

- **John Sackah Addo** - Chairman
- **Stephen Sekyere-Abankwa** - Managing Director
- **Samuel Nkansa-Boadi**
- **Nortey Kwashie Omaboe**
- **Joana Felicity Dickson**
- **Phyllis Maria Christian**
- **Michael Addo (Resigned 25/10/07)**
- **Aretha Duku**

AUDITORS:

Morrison & Associates
Chartered Accountants, Tax &
Management Consultants
Trinity House, 2nd Floor
Ring Road East
P.O. Box C2890
Cantonments, Accra
Tel. No: 771327/3

SECRETARY:

Osei Yaw Osafo
Prudential Bank Limited
Tel: 233-21-781200-5
Fax: 233-21-781210
Email: yoseiosafo@prudentialbank.com.gh

POSTAL ADDRESS

Private Mail Bag
General Post Office
Accra, Ghana

REGISTERED OFFICE

8 Nima Avenue
Ring Road Central
Accra, Ghana

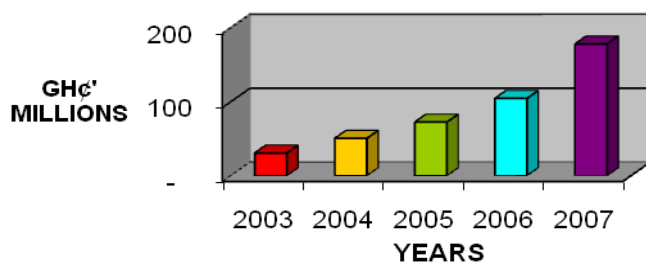
E-MAIL ADDRESS

headoffice@prudentialbank.com.gh

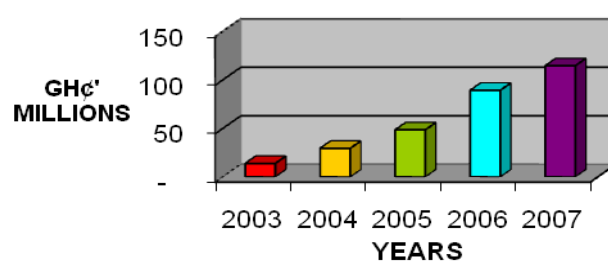


PERFORMANCE AT A GLANCE

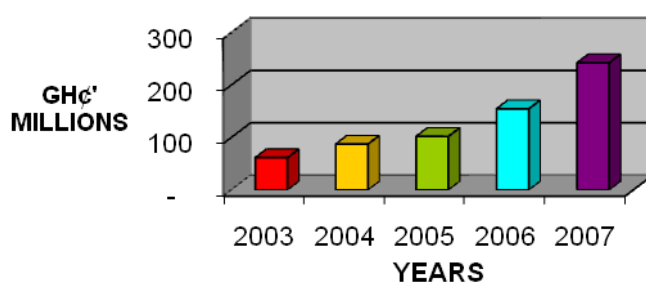
GROWTH IN DEPOSITS



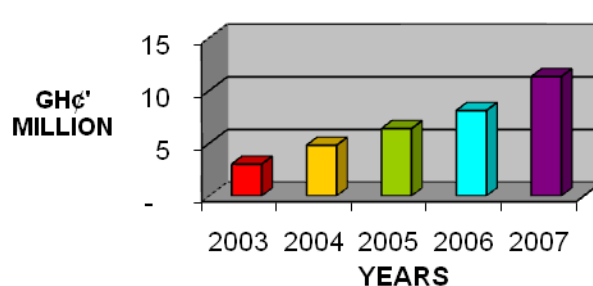
GROWTH IN LOANS



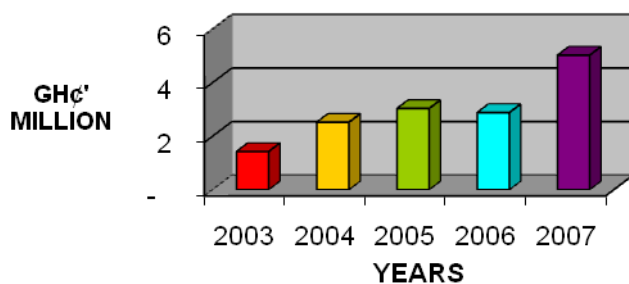
GROWTH IN TOTAL ASSETS



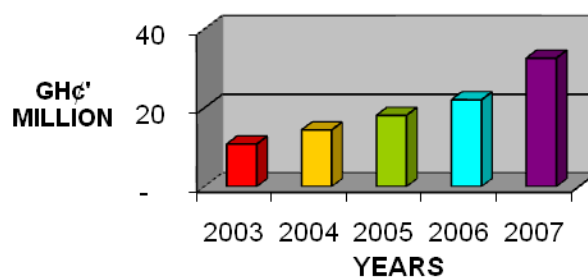
GROWTH IN NETWORTH



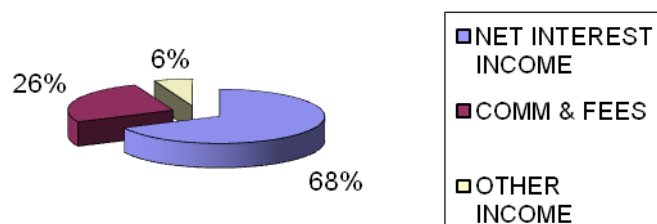
GROWTH IN PRE-TAX PROFIT



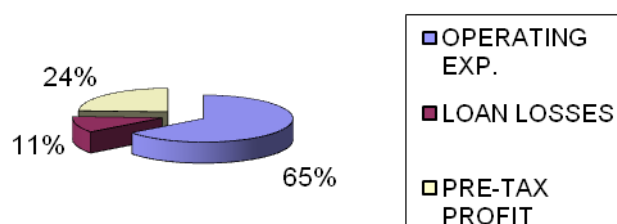
GROWTH IN GROSS INCOME



2007 INCOME SOURCES



2007 INCOME DISTRIBUTION



**SUMMARY OF PERFORMANCE FROM 2003 - 2007**

	2007 GH¢	2006 GH¢	2005 GH¢	2004 GH¢	2003 GH¢
PROFIT AND LOSS ACCOUNT					
Interest Income	26,010,600	17,537,900	14,039,000	11,004,400	8,398,400
Interest Expense	(11,962,830)	(6,988,700)	(6,347,300)	(5,370,600)	(4,944,300)
NET INTEREST INCOME	14,047,770	10,549,200	7,691,700	5,633,800	3,454,100
Commissions and Fees	5,410,700	3,862,800	3,360,800	2,827,100	1,859,200
Other Operating Income	1,220,380	629,400	705,500	549,600	547,900
TOTAL INCOME	20,678,850	15,041,400	11,758,000	9,010,500	5,861,200
Operating Expenses	(13,374,050)	(11,291,100)	(7,915,100)	(5,914,200)	(3,994,300)
Charge for bad & doubtful debts	(2,279,800)	(866,700)	(807,800)	(575,800)	(438,700)
PROFIT BEFORE TAX	5,025,000	2,883,600	3,035,100	2,520,500	1,428,200
Taxation	(1,795,100)	(1,152,900)	(734,400)	(715,000)	(237,400)
NET PROFIT AFTER TAX	3,229,900	1,730,700	2,300,700	1,805,500	1,190,800
INCOME SURPLUS ACCOUNT					
Balance at 1st January	130,100	11,300	796,900	720,500	234,600
Retained Profit	3,229,900	1,730,700	2,300,700	1,805,500	1,190,800
	3,360,000	1,742,000	3,097,600	2,526,000	1,425,400
Prior Year Adjustment	-	-	(709,000)		
Transfer to Statutory Reserve Fund	(1,614,950)	(600,000)	(575,200)	(225,700)	(595,400)
Proposed Dividend	(11,640)	(11,900)	(16,100)	(17,500)	(17,300)
Transfer to Sinking Fund Reserve	-	-	304,000	(85,900)	(92,200)
Transfer to Stated Capital	-	(1,000,000)	(2,090,000)	(1,400,000)	-
Balance at 31st December	1,733,410	130,100	11,300	796,900	720,500
BALANCE SHEET					
ASSETS					
Cash and Balances with Bank of Ghana	16,990,380	12,896,000	4,493,800	6,617,300	4,889,400
Government Securities	33,089,410	17,639,600	32,110,600	27,421,400	17,228,500
Due from other Banks and Financial Inst.	61,672,540	27,451,000	10,928,600	19,368,900	20,999,900
Loans and to Advances Customers	114,454,430	89,228,000	48,449,700	29,462,000	13,855,100
Investments in Subsidiaries	530,600	530,600	387,900	387,900	100,000
Other Assets	9,510,250	2,629,800	2,372,100	2,173,000	3,095,200
Taxation	-	229,500	332,200	372,100	281,700
	236,247,610	150,604,500	99,074,900	85,802,600	60,449,800
Property, Plant and Equipment	6,142,470	4,006,800	2,870,900	1,445,200	1,071,900
Establishment and Pre-operating Expenditure	-	-	-	-	-
TOTAL ASSETS	242,390,080	154,611,300	101,945,800	87,247,800	61,521,700
LIABILITIES AND SHAREHOLDERS' FUND					
Deposits and Current Accounts	177,922,970	104,359,900	72,356,100	50,395,000	30,591,400
Interest payable and Other liabilities	25,079,940	26,657,800	14,863,300	27,293,200	21,680,100
Taxation	65,210	-	-	-	-
	203,068,120	131,017,700	87,219,400	77,688,200	52,271,500
Borrowings	28,007,500	15,497,400	8,349,000	4,757,800	6,236,400
TOTAL LIABILITIES	231,075,620	146,515,100	95,568,400	82,446,000	58,507,900
SHAREHOLDERS FUNDS					
Stated Capital	7,180,000	7,180,000	4,080,000	1,990,000	590,000
Income Surplus Account	1,733,410	130,100	11,300	796,900	720,500
Statutory Reserve Fund	2,401,050	786,100	2,286,100	1,710,900	1,485,200
Sinking Fund Reserve	-	-	-	304,000	218,100
	11,314,460	8,096,200	6,377,400	4,801,800	3,013,800
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	242,390,080	154,611,300	101,945,800	87,247,800	61,521,700
Managed Funds on behalf of Government of Ghana and Danida	2,855,500	2,615,700	2,618,000	2,156,200	2,206,800
Liabilities on Guarantees and Indemnities	9,441,900	8,657,400	7,896,000	6,217,400	2,608,400



CHAIRMAN'S STATEMENT

1.0 INTRODUCTION

Distinguished Shareholders and Directors, once again it is my privilege to welcome you to the 11th Annual General Meeting of Prudential Bank Limited and to report on the performance of your Bank for the year ended 31st December, 2007.

2.0 OVERVIEW OF THE GHANAIAN ECONOMY IN YEAR 2007

The continued increases in the price of crude oil on the international commodity markets and the energy crisis for a greater part of the year adversely affected the growth of the Ghanaian economy and consequently the overall growth and inflationary targets.

2.1 Overall GDP Growth Rate

- Real GDP grew at 6.3%, registering a negative variance of 0.2% as against the projected growth rate of 6.5% due to the poor performance of the Agricultural and Industrial Sectors. The inability of the **Agricultural Sector** to meet its growth target of 6.1% (actual of 4.3%) was mainly due to erratic rainfall, low productivity and dwindling contribution of the fisheries sub sector.

The **Industrial Sector**, on the other hand, was adversely affected by the energy crisis, and competition from imports thus, making it difficult for it to achieve its growth target of 9.5% (actual of 7.4%). The **Services Sector**, however, out-performed its growth target of 6.7% (actual of 8.2%), with the financial sector driving the growth.

2.2 Inflation

- Year-on-year inflation increased from 10.5% in December 2006 to 12.7% at the end of the year, against the projected single digit target of between 7 and 9 per cent.



2.3 Exchange Rate

The Ghana Cedi depreciated against the major currencies during the year in contrast to the relatively stable trend experienced over the immediate past three years by 4%, 6% and 17% for the US Dollar, Pound Sterling and Euro respectively.

2.4 Interest Rates

Interest rate during the year was generally stable. Whilst short-term interest rates registered slight upward movements, those on medium term securities fell during the year. The Bank of Ghana's prime rate of 12.5% at the beginning of the year was increased to 13.5% during the last quarter of the year reflecting the inflationary tendencies.

- The benchmark 91-day Treasury Bill interest rate equivalent, increased from 9.6% at the beginning of the year to 10.82% at the end of December 2007.
- The 182-day Treasury Bill interest rate equivalent also rose from 10.5% at the beginning of the year to 10.8% at the close of the year.
- There were generally no changes in commercial banks' base rates which averaged between 18% and 21.45%.

3.0 PERFORMANCE OF PBL IN YEAR 2007

3.1 Mobilization of Resources

3.1.1 Deposits

During the year under review, the Bank's deposits grew by 70% from GH¢110.4 million to GH¢177.92 million, as compared with the growth of 44% registered in Year 2006. Demand deposits which constituted more than 50% of the total deposits were a major source of the growth.

3.1.2 Shareholders' Funds

Shareholders' funds increased from GH¢8.09 million in Year 2006 to GH¢11.31 million in Year 2007 representing a growth rate of 40%.

3.2 Allocation of Resources

The Bank made prudent use of its resources by ensuring that the risks associated with its asset allocation decisions were well managed to sustain



profitable operations, whilst ensuring that daily liquidity requirements were met. The total assets of the Bank grew by 57% from GH¢154.61 million in Year 2006 to GH¢242.39 million in Year 2007. This growth was mainly funded by deposits, borrowings and shareholders' funds.

3.2.1 Investments

The level of investment in government securities grew by 88% from GH¢17.639 million in Year 2006 to GH¢33.09 million in Year 2007. This was necessary for liquidity management purposes in line with the substantial growth in deposits and short-term borrowings.

3.2.2 Lending Operations

The loans and advances portfolio registered an increase of 28% from GH¢89.22 million in Year 2006 to GH¢114.45 million in Year 2007.

3.3 Results of Operations

Distinguished shareholders, notwithstanding the competitive pressures, your bank was able to register an impressive profit in Year 2007. The Bank's pre-tax profit increased by 74% from GH¢2.88 million in Year 2006 to GH¢5.03 million in Year 2007.

The profit after tax transferred to Income Surplus was GH¢3.23 million. This translates into a Return on Assets (ROA) of 1.63% and Return on Equity (ROE) of 33.27%. The comparative returns for Year 2006 were 1.35% and 24.06% respectively.

3.4 Dividend

Distinguished ladies and gentlemen, even though your Bank improved upon its performance in Year 2007, the Board did not recommend the payment of dividend to Ordinary Shareholders due to the requirement by Bank of Ghana for the Bank to increase its minimum capital to GH¢25.0 million by Year 2010 and GH¢60.0 million by Year 2012. In this regard, the Board of Directors can only recommend payment of dividend to the Preference Shareholders amounting to GH¢11,640.

3.5 Corporate Governance

I am pleased to report that the Board and its Audit Sub-Committee, during the year under review, discharged their supervisory functions effectively. The two



bodies held regular scheduled meetings to deliberate on key operational issues, quarterly management reports, internal control and Bank of Ghana reports that they are mandated to review and take decisions on.

4.0 OUTLOOK FOR THE FUTURE

4.1 The Ghanaian Economy

The Government's Economic Policy and Programme for Year 2008 which is dubbed "A Brighter Future Budget", is designed to bring Ghana closer to its vision of becoming a middle income country by the Year 2015 in line with the medium term strategy as spelt out in the Growth and Poverty Reduction Strategy (GPRS II), the highlights of which are as follows:

- Accelerated private sector led growth;
- Vigorous human resource development; and
- Good governance and civic responsibility.

The following are the Government's macroeconomic targets for the Year 2008:

- A real GDP growth of at least 7.0 per cent;
- A lowering of end of period inflation to single digit of between 6 and 8 per cent by end of year;
- Average inflation rate of 7 per cent;
- Accumulation and maintenance of international reserves at three months of import cover;
- Domestic primary surplus of 1.7 per cent of GDP; and
- Overall budget deficit of 4.0 per cent of GDP

4.2 The Banking Industry

The competition in the banking industry is expected to intensify with the focus on customer service, pricing, product innovation, product diversification and expansion in branch network. These are all geared towards offering existing and potential customers options that will give them remunerative banking services.

The payment system will undergo a major transformation during the year when Bank of Ghana in collaboration with the Banks will implement two electronic payment facilities – **e-Zwich** Point of Sale and **e-Zwich** ATM Platform.



The **e-Zwich** Point of Sale will provide for the payment for goods and services electronically at the point of sale using SmartCards. Holders of **e-Zwich** SmartCards will be able to electronically transfer funds from one account to the other, verify account balances, make limited cash withdrawals, etc.

The **e-Zwich** ATM Platform, on the other hand, will allow SmartCard holders to access their accounts not only at the ATMs of their banks but also ATMs of other banks.

4.3 Prudential Bank Limited

To be able to manage the operations and business challenges created by the increase in the number of banks and technological transformation in the banking environment, Management of the Bank has fashioned out business strategies to deal with these challenges in the years ahead. The Bank in Year 2007 purchased and installed the **Flexcube** Banking Application Software to replace the **Microbanker** Software which had been used for the past ten years. The new software has enhanced features that would improve upon the Bank's business processes and make it more effective in service delivery. The **Flexcube** Software would be fine tuned in Year 2008 to derive maximum utilization.

The Bank, during the first quarter of Year 2008 will roll out various electronic banking (e-Banking) products such as ATMs, Debit and Credit Cards, Point of Sale, Internet Banking etc. We are also prepared adequately to participate in the Bank of Ghana's **e-Zwich** project which is expected to be rolled out in April 2008. An e-Banking department has been established with the full complement of staff to ensure full implementation.

The Branch network expansion plan as outlined in the Year 2008 budget, would also be implemented fully to make our banking services more accessible to our current and potential customers. In this regard, about ten branches would be opened in Years 2008 and 2009 in various parts of the country.

5.0 CORPORATE SOCIAL RESPONSIBILITY

The Group believes in good corporate citizenship and thus conducts its operations in a socially responsible manner. In addition to discharging its obligations in respect of Corporate Tax and National Reconstruction Levy, your Bank during the year, discharged its social responsibility by spending an amount of GH¢66,000.00 on various social projects. Some of the beneficiaries were:



- SOS Children Village
- International Women's Day
- West African Science and Mathematics Quiz
- 23rd National Farmers Day
- 2007 National Best Teacher's Award ceremony
- Flood Disaster victims in the North

6.0 ACKNOWLEDGEMENT

On behalf of the Board, let me express my deepest appreciation to all our customers whose patronage and loyalty contributed in no small measure to the success chalked by the Bank. I am also grateful to the Management and Staff of the Bank for their hard work, dedication and for rising up to the great challenges posed by the rapid changes in the banking industry.

During the year, the Board accepted the resignation of Mr. Michael Addo as a director of the Bank. I take this opportunity to express my gratitude for his very useful services to the Bank during his tenure.

The Board of Directors has proposed two additional directors in the persons of Messrs Michael Addo, former Deputy Managing Director of NTHC, for re-appointment and Kwaku Agyei-Gyamfi, former Managing Director of Merchant Bank Ghana Limited to serve on the Board to bring the number to ten.

Finally, I wish to thank you Shareholders and colleague members of the Board of Directors for your understanding and invaluable contributions that have sustained the Bank in its endeavours over the years.

Thank you.

JOHN SACKAH ADDO
CHAIRMAN



Managing Director's Review of Operations

Introduction

Prudential Bank Limited and its subsidiary (the Group) has delivered another strong performance, despite the continuous decline in interest margins and increased competition in the Banking Industry in recent times. We are reporting a growth of 81.8% and 100% in profit before tax and profit after tax respectively. The Group also recorded a Return on Equity of 29.3%, which, compares favourably with that of our peers. The results reflect a strong performance across each of our two main business lines. The Bank generally succeeded in delivering value to its shareholders.

Our business model is based on building long lasting relationships with our customers and clients, ensuring quality service delivery, giving value to our customers by way of low transaction costs and capitalizing on volumes to generate high growth in earnings.

Banking Operations

The Bank continued to grow the size of its balance sheet. Total Assets increased by GH¢87.77million from GH¢154.6million in Year 2006 to GH¢242.39million in Year 2007, representing a growth of 56.77%. The net profit after tax also increased from GH¢1.73 million in Year 2006 to GH¢3.2 million in Year 2007, representing a growth of 86.6%. The Bank recorded a Return on Equity of 28.55% which compares favourably with that of our peers in the banking industry.

The strong performance in Year 2007 was mainly driven by the following:

- Our deep understanding of the dynamics of the Ghanaian banking market which enabled us to take advantage of emerging opportunities and also respond to our customers needs rapidly and effectively;
- Provision of specialized banking services to our institutional customers;
- Our unique savings products which, enabled us to mobilize more savings from customers;
- Our prompt credit delivery to our customers;
- Our networked branches which allowed customers to transact business at any of our branches;
- Our competitive rates and charges which enabled us to offer more remunerative banking services to our customers;
- Quality customer services through our unique relationship banking model;



- Active risk management which enabled us to actively manage our credit, market, compliance, reputation and operational risks;
- Our ability to ensure continuous supply of foreign exchange to our customers;
- Our rapid response approach to business.

Our Strategies for Year 2008

We believe that competition in the banking industry will further intensify in Year 2008 as banks strive to win more customers to enhance their profitability and maximize shareholder value. We also believe that in a competitive financial services market where customers are able to exercise choice among alternative providers, shareholder and customer value creation are closely linked. We will maximize shareholder value by attracting and retaining customers and winning a greater share of their businesses.

We, therefore, have a significant opportunity to leverage our customer relationships to increase our business volumes. We have strength in delivering high level customer satisfaction, providing low transaction cost services, being flexible in meeting customers' needs and being able to understand our customers. Our growth will come from leveraging these strengths. We say it is priceless to do business with us.

The following are the important highlights of the bank's strategies for Year 2008:

Product Development: We will improve on and re-package our existing products, enter new market segments and roll out new products especially, electronic banking products, to meet the demands of our existing and potential customers.

Quality Customer Service: We shall deepen our relationship with existing customers and improve on service delivery through business process re-engineering.

Export Development: The Non-Traditional Export (NTE) Department will intensify its activities to reach out to more non- traditional exporters to increase our foreign exchange generation.

Branch Expansion: We will continue our branch network expansion in Year 2008 with the view to bringing banking services closer to our existing and potential customers. This should enable us improve on our deposit mobilization and expand our credit portfolio.

Income Generation: Special attention will be directed at expanding our commission income base.



Enhanced Asset Management: The Bank will continue to strengthen its credit administration procedures and processes with the view to maintaining high quality advances.

Staff Development: Our staff training programme for all categories of employees in the bank to improve upon staff effectiveness and efficiency will continue.

Internal Control: Our Internal Control Department will be strengthened through quality training programmes. We will also continue our risk based approach to auditing and inspection to improve operational risk management.

Investment Banking: Our investment banking subsidiary, Prudential Securities Limited (PSL), will continue the development of a range of investment banking products to meet the needs of its existing and potential clients.

There are great opportunities in the investment banking segment as investors and investment advisors are becoming more interested in Ghana's capital market. We will, therefore, continue to explore all opportunities on the capital market, especially in the areas of asset management, stock brokerage, corporate finance and advisory services. We will also pursue a strategy of building strong international relationships with international investment bankers which will enable us undertake joint projects to enhance our income generation.

Summary

Year 2007 was a good year for the Group. Our financial performance was excellent. We will continue to deepen our relationship with customers whilst improving efficiency in Year 2008. In this way, we will use our capability based marketing model to build more business relationships to deliver value to all our stakeholders.

Finally, we will continue to reinforce the PBL Brand through innovative products and services, to enhance the Group's competitive position in the market place.

Stephen Sekyere-Abankwa
Managing Director



REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their eleventh annual report together with the audited consolidated financial statements of the Bank for the year ended 31st December, 2007 to the members as follows:

a. Principal Activities

The principal activities carried out by the Bank during the year under review are within the limits permitted by its Regulations and also consistent with its strategic focus. There were no changes in the principal activities of the Bank during the year.

b. Results and Dividend

The results of operations for the year ended 31st December, 2007 are set out in the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the Notes to the financial statements from page 6 to 26.

The operations' for the year resulted in a net profit after taxation of GH¢3,308,090 (2006: GH¢1,653,300) and GH¢3,229,900 (2006: GH¢1,730,700) for the Group and the Bank respectively. Total assets as at 31st December, 2007 were GH¢244,673,310 (2006: GH¢154,487,000) and GH¢242,390,080 (2006: GH¢154,611,300) for the Group and the Bank respectively.

The Directors are pleased to recommend to members the payment of dividend in the sum of GH¢11,640 to Preference Shareholders for the year ended 31st December, 2007. No dividend is recommended for Ordinary Shareholders.

c. Auditors

The Auditors, Messrs. Morrison & Associates, will continue in office in accordance with Section 134(5) of the Companies Code, 1963 (Act 179).

BY ORDER OF THE BOARD

.....
DIRECTOR

.....
DIRECTOR

31 MARCH 2008



STATEMENT OF DIRECTORS RESPONSIBILITIES

The Companies Code, 1963 (Act 179) requires the Directors to prepare financial statements which give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for each financial year.

In preparing these financial statements, the Directors have:-

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Followed applicable accounting standards; and
- Prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The above statement which should be read in conjunction with the statement of the Auditors' responsibilities set out on page 5, is made with a view to distinguishing for Shareholders the respective responsibilities of the Directors and the Auditors in relation to these financial statements.



REPORT OF THE AUDITORS

We have audited the consolidated financial statements of Prudential Bank Limited for the year ended 31st December, 2007 which are set out on page 6 to 26 and have obtained all the information and explanations we required.

Respective Responsibilities of Directors and Auditors

The Bank's Directors are responsible for the preparation of these financial statements. It is our responsibility as Auditors to express an independent opinion, on those financial statements based on our audit.

Basis of Opinion

We have conducted our audit in accordance with International Standards on auditing. These standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the relevant amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the Directors as well as evaluating the overall presentation the financial statements. We believe our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, proper books of account have been kept and the financial statements which are in agreement therewith, and prepared in accordance with Ghana National Accounting Standards, comply with the Companies Code, 1963 (Act 179), the Banking Act, 2004 (Act 673) as amended, and give a true and fair view of the financial position of the Bank and the Group at 31st December, 2007 and of the results of their operations and cash flow for the year then ended.

.....
CHARTERED ACCOUNTANTS

..... **2008**



**GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2007**

	Note	THE GROUP		THE BANK	
		2007 GH¢	2006 GH¢	2007 GH¢	2006 GH¢
Interest Income	4	26,010,600	17,537,900	26,010,600	17,537,900
Interest Expense	5	<u>(11,960,480)</u>	<u>(6,987,700)</u>	<u>(11,962,830)</u>	<u>(6,988,700)</u>
NET INTEREST INCOME		14,050,120	10,550,200	14,047,770	10,549,200
Commissions and Fees	6	5,410,700	3,862,800	5,410,700	3,862,800
Other Operating Income	7	<u>1,292,600</u>	<u>633,600</u>	<u>1,212,800</u>	<u>619,200</u>
TOTAL INCOME		20,753,420	15,046,600	20,671,270	15,031,200
Charge for Bad & Doubtful Debts	10	(2,279,800)	(866,700)	(2,279,800)	(866,700)
Operating Expenses	8	<u>(13,514,050)</u>	<u>(11,393,000)</u>	<u>(13,374,050)</u>	<u>(11,291,100)</u>
NET OPERATING PROFIT		4,959,570	2,786,900	5,017,420	2,873,400
Other Income		<u>143,620</u>	<u>19,300</u>	<u>7,580</u>	<u>10,200</u>
PROFIT BEFORE TAX		5,103,190	2,806,200	5,025,000	2,883,600
Provision for Tax	14(a)	(1,795,100)	(1,082,700)	(1,795,100)	(1,082,700)
National Reconstruction Levy	14(b)	<u>-</u>	<u>(70,200)</u>	<u>-</u>	<u>(70,200)</u>
PROFIT AFTER TAX TRANSFERRED TO INCOME SURPLUS ACCOUNT		<u>3,308,090</u>	<u>1,653,300</u>	<u>3,229,900</u>	<u>1,730,700</u>
		2007 GH¢	2006 GH¢	2007 GH¢	2006 GH¢
Balance at 1st January		9,700	(31,700)	130,100	11,300
Net profit from Profit and Loss Account		<u>3,308,090</u>	<u>1,653,300</u>	<u>3,229,900</u>	<u>1,730,700</u>
		3,317,790	1,621,600	3,360,000	1,742,000
Transfer to Statutory Reserve Fund	30	(1,614,950)	(600,000)	(1,614,950)	(600,000)
Transfer to Stated Capital	29	-	(1,000,000)	-	(1,000,000)
Proposed Dividend		<u>(11,640)</u>	<u>(11,900)</u>	<u>(11,640)</u>	<u>(11,900)</u>
Balance at 31st December		<u>1,691,200</u>	<u>9,700</u>	<u>1,733,410</u>	<u>130,100</u>



**GROUP BALANCE SHEET
AS AT 31ST DECEMBER, 2007**

	Note	THE GROUP		THE BANK	
		2007	2006	2007	2006
		GH¢	GH¢	GH¢	GH¢
ASSETS					
Cash and Balances with Bank of Ghana	11	16,990,380	12,896,000	16,990,380	12,896,000
Government Securities	12	33,089,410	17,639,600	33,089,410	17,639,600
Due from other Banks and Financial Inst.	13	61,672,540	27,451,000	61,672,540	27,451,000
Taxation	14	-	229,500	-	229,500
Loans and Advances to Customers	15	114,354,430	89,228,000	114,454,430	89,228,000
Investment in Subsidiaries/other Companies	18	592,670	380,000	530,600	530,600
Other Assets	19	<u>11,793,600</u>	<u>2,606,200</u>	<u>9,510,250</u>	<u>2,629,800</u>
		<u>238,493,030</u>	<u>150,430,300</u>	<u>236,247,610</u>	<u>150,604,500</u>
Property, Plant and Equipment	22	<u>6,180,280</u>	<u>4,056,700</u>	<u>6,142,470</u>	<u>4,006,800</u>
TOTAL ASSETS		<u>244,673,310</u>	<u>154,487,000</u>	<u>42,390,080</u>	<u>154,611,300</u>
LIABILITIES					
Customer Deposits	20	177,851,090	104,336,800	177,922,970	104,359,900
Interest payable and Other liabilities	25	27,477,260	26,677,000	25,079,940	26,657,800
Taxation	14	65,210	-	65,210	-
Borrowings	26	<u>28,007,500</u>	<u>15,497,400</u>	<u>28,007,500</u>	<u>15,497,400</u>
TOTAL LIABILITIES		<u>233,401,060</u>	<u>146,511,200</u>	<u>231,075,620</u>	<u>146,515,100</u>
SHAREHOLDERS' FUNDS					
Stated Capital	29	7,180,000	7,180,000	7,180,000	7,180,000
Income Surplus Account		1,691,200	9,700	1,733,410	130,100
Statutory Reserve Fund	30	<u>2,401,050</u>	<u>786,100</u>	<u>2,401,050</u>	<u>786,100</u>
TOTAL SHAREHOLDERS' FUNDS		<u>11,272,250</u>	<u>7,975,800</u>	<u>11,314,460</u>	<u>8,096,200</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>244,673,310</u>	<u>154,487,000</u>	<u>242,390,080</u>	<u>154,611,300</u>

BY ORDER OF THE BOARD

.....)
)
) **DIRECTORS**
)
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ACCRA

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**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2007**

		THE GROUP		THE BANK	
	Note	2007	2006	2007	2006
		GH¢	GH¢	GH¢	GH¢
PROFIT BEFORE TAX		5,103,190	2,806,200	5,025,000	2,883,600
Loss on Sale of Fixed Assets	22(a)	14,900	(3,000)	14,910	(3,000)
Amortisation of Pre-operating Expenses		15,600	15,600	-	-
Depreciation		1,264,790	810,900	1,249,020	795,800
Provision for Bad & Doubtful Debts		2,270,400	862,400	2,270,400	862,400
Provision for Contingent Liabilities		9,400	4,300	9,400	4,300
		<u>3,575,090</u>	<u>1,690,200</u>	<u>3,543,730</u>	<u>1,659,500</u>
NET CASH INFLOW FROM TRADING ACTIVITIES		8,678,280	4,496,400	8,568,730	4,543,100
(Increase) in Government Securities		(15,449,810)	14,471,000	(15,449,810)	14,471,000
(Increase) in Loans & Advances to Customers		(27,396,830)	(41,640,700)	(27,496,830)	(41,640,700)
(Increase)/Decrease in Other Assets		(9,203,000)	(343,900)	(6,880,450)	(399,800)
Increase/(Decrease) in Customer Deposits		73,514,290	32,053,100	73,563,070	32,003,800
Increase in Interest Payable & Other Liabilities		790,130	11,794,500	(1,587,030)	11,794,200
Increase/(Decrease) in Borrowings		12,510,100	7,148,400	12,510,100	7,148,400
Tax/National Reconstruction Levy Paid		(1,500,420)	(1,050,200)	(1,500,420)	(1,050,200)
		<u>33,264,460</u>	<u>22,432,200</u>	<u>33,158,630</u>	<u>22,326,700</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES		41,942,740	26,928,600	41,727,360	26,869,800
INVESTING ACTIVITIES					
Purchase of Fixed Assets		(3,402,250)	(1,933,300)	(3,399,540)	(1,931,600)
Sale of Fixed Assets - proceeds		-	3,000	-	3,000
Sale of Tradeable Assets		-	-	-	-
Decrease/(Increase) in Investment in Subsidiaries/Other Companies		(212,670)	(57,800)	-	(600)
FINANCING ACTIVITIES					
Dividend Paid		(11,900)	(16,100)	(11,900)	(16,100)
NET INCREASE(DECREASE) IN CASH & CASH EQUIVALENT		38,315,920	24,924,400	38,315,920	24,924,500
ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENT					
Balance at 1st January		40,347,000	15,422,600	40,347,000	15,422,500
Net Cash Inflow		<u>38,315,920</u>	<u>24,924,400</u>	<u>38,315,920</u>	<u>24,924,500</u>
Balance at 31st December		<u>78,662,920</u>	<u>40,347,000</u>	<u>78,662,920</u>	<u>40,347,000</u>
EQUIVALENTS					
Cash in Hand		6,577,520	3,347,000	6,577,520	3,347,000
Balances with Bank of Ghana		10,412,860	9,549,000	10,412,860	9,549,000
Balances with Foreign Banks		20,290,360	14,664,900	20,290,360	14,664,900
Items in Course of collection		3,811,310	6,083,900	3,811,310	6,083,900
Foreign Cheques Purchased		70,870	2,200	70,870	2,200
Money at Short Notice		<u>37,500,000</u>	<u>6,700,000</u>	<u>37,500,000</u>	<u>6,700,000</u>
		<u>78,662,920</u>	<u>40,347,000</u>	<u>78,662,920</u>	<u>40,347,000</u>



NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The significant accounting policies adopted by the Bank and which have been applied in preparing these financial statements are stated below:

a. Basis of Accounting

These financial statements have been prepared under the historical cost convention.

b. Income Recognition

(i) Interest Income

The recognition of interest income ceases when the payment of interest or principal is in doubt and does so automatically if principal or interest payments are 90 or more days late. Any interest previously accrued but not received on a loan placed on a non-accrual basis is reversed. Interest is included in income thereafter only when it is received. Loans are returned to the accruals basis only when doubt about collectibility is removed and when the outstanding arrears of interest and principal are received.

(ii) Non-interest Income

Non-interest income such as commissions and fees and other operating income are recognised as and when they are realised.

c. Valuation of Investments, Loans and Advances and Property, Plant and Equipment

(i) Investments

Investments are included in the balance sheet at the face value less unearned discounts to maturity.

Bills discounted and securities with a fixed redemption date which are purchased with the intention of being held to maturity are stated at amortised cost. The premium or discount is amortised over the period to redemption and disclosed separately in interest income.

(ii) Advances

Advances are stated in the balance sheet at the amount of principal and interest outstanding less any provision for bad and doubtful debts, computed in line with Bank of Ghana's guidelines.

Advances are analysed between the total amount outstanding and provisions in a note to the financial statements.



Provision for bad and doubtful debts

Provision for bad and doubtful debts is made, having regard to both specific and general risks.

The specific element of the provisions relates to those loans that have been individually reviewed and specifically identified as bad or doubtful.

The general element of the provisions relates to those existing losses, that although not yet specifically identified, are known from experience to be present at the year end in the Bank's portfolio of loans and advances.

In determining the level of the provisions required, management considered numerous factors including but not limited to, domestic economic conditions, the composition of the loan portfolio and prior bad debt experience.

Provisions made during the year are charged to the Profit and Loss Account.

Loans are written off when the extent of any loss has been confirmed.

(iii) Property, Plant and Equipment

Property, Plant and Equipment are stated at cost less depreciation.

Depreciation is calculated to write off the cost of Property, Plant and Equipment on a straight line basis over the estimated useful lives of the assets concerned.

The principal rates used for this purpose are:

• Furniture and Fittings	-	20%
• Office Equipment	-	20%
• Computer Systems	-	25%
• Motor Vehicles	-	20%
• Generators	-	20%
• Land & Building	-	3%
• Branch Development	-	20%

Maintenance and repairs are charged to the profit and loss account when incurred, and improvements are capitalised.

d. Foreign Currency

Transactions denominated in foreign currency are translated into cedis at the rates of exchange ruling on the dates of the transactions.

Assets and liabilities denominated in foreign currencies are translated into cedis at exchange rates ruling at the balance sheet date.



Any gains or losses resulting from foreign currency translation or exchange are dealt with through the profit and loss account for the year.

e. Post Balance Sheet Events

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

2. Group Financial Statements

The financial statements include group financial statements showing a consolidation of the Banks results and financial position with the wholly owned subsidiary Prudential Securities Limited.

3. Cedi Re-denomination

There was a re-denomination of the cedi in July 2007 resulting in the substitution of one Ghana cedi (GH¢1.00) for ten thousand cedis (¢10,000). As a result the comparative figures for 2006 have been restated in Ghana cedis (GH¢).

**2 Percentage of gross non-performing loans (Substandard-Loss) to total credit portfolio**

	THE GROUP		THE BANK	
	2007	2006	2007	2006
	GH¢	GH¢	GH¢	GH¢
Gross credit portfolio	120,177,320	92,118,600	120,277,320	92,118,600
Non-Performing loans	5,981,513	2,790,700	5,981,513	2,790,700
Ratio	4.97%	3.03%	4.97%	3.03%

3 Amount spent on fulfilling social responsibility obligations

	66,700	60,500	66,700	60,500
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4 INTEREST INCOME

Placements, Special Deposit	2,510,600	647,100	2,510,600	647,100
Investment Securities	4,816,000	3,898,900	4,816,000	3,898,900
Loans and Advances	<u>18,684,000</u>	<u>12,991,900</u>	<u>18,684,000</u>	<u>12,991,900</u>
	<u>26,010,600</u>	<u>17,537,900</u>	<u>26,010,600</u>	<u>17,537,900</u>

5 INTEREST EXPENSE

Current Accounts	783,400	234,300	783,400	234,300
Time and other Deposits	7,771,750	5,252,600	7,774,100	5,253,600
Overnight and Call Accounts	2,797,350	342,100	2,797,350	342,100
Borrowed Funds	<u>607,980</u>	<u>1,158,700</u>	<u>607,980</u>	<u>1,158,700</u>
	<u>11,960,480</u>	<u>6,987,700</u>	<u>11,962,830</u>	<u>6,988,700</u>

6 COMMISSIONS AND FEES

Commission on Turnover	911,700	809,600	911,700	809,600
Commission on Transfers/Letters of Credit	1,225,800	1,108,900	1,225,800	1,108,900
Investigating and Processing	1,248,700	1,083,000	1,248,700	1,083,000
Professional Services	81,700	88,000	81,700	88,000
Commission on Guarantees and Indemnities	147,200	159,900	147,200	159,900
Commission on Managed Funds	16,300	14,500	16,300	14,500
Others	<u>1,779,300</u>	<u>598,900</u>	<u>1,779,300</u>	<u>598,900</u>
	<u>5,410,700</u>	<u>3,862,800</u>	<u>5,410,700</u>	<u>3,862,800</u>

**7 OTHER OPERATING INCOME**

	THE GROUP		THE BANK	
	2007	2006	2007	2006
	GH¢	GH¢	GH¢	GH¢
Gain on Foreign Exchange	1,156,300	599,500	1,156,300	599,400
Other Income	94,600	34,100	14,800	19,800
Exchange Revaluation Surplus(net)	<u>41,700</u>	<u>-</u>	<u>41,700</u>	<u>-</u>
	<u>1,292,600</u>	<u>633,600</u>	<u>1,212,800</u>	<u>619,200</u>

OPERATING EXPENSES

License & Fees	5,600	6,800		
Staff Costs (Note 9)	3,877,490	3,726,500	3,843,100	3,692,800
Advertising and Marketing	447,500	319,100	438,300	316,700
Administrative Expenses	2,524,930	2,282,300	2,487,190	2,274,300
Training	231,200	142,000	231,200	138,100
Depreciation	1,264,790	810,900	1,249,020	795,900
Directors' Emoluments	214,300	199,900	214,300	199,900
Auditors' Remuneration	35,000	36,700	32,500	35,200
Motor Vehicle Running Costs	725,500	563,500	722,400	560,600
Occupancy Cost	3,114,000	2,370,500	3,098,200	2,358,900
Others	<u>1,073,740</u>	<u>934,800</u>	<u>1,057,840</u>	<u>918,700</u>
	<u>13,514,050</u>	<u>11,393,000</u>	<u>13,374,050</u>	<u>11,291,100</u>

Staff Costs

Wages, Salaries, Bonus, Allowances	3,031,586	2,988,500	3,002,300	2,959,800
Social Security Fund	258,852	256,200	256,400	253,700
Provident fund contributions	247,352	248,100	244,900	245,600
Medical Expenses	236,000	191,600	235,800	191,600
Retirement Benefit	<u>103,700</u>	<u>42,100</u>	<u>103,700</u>	<u>42,100</u>
	<u>3,877,490</u>	<u>3,726,500</u>	<u>3,843,100</u>	<u>3,692,800</u>

The average number of persons employed by the bank during the year was 535 (2006: 510).

BAD AND DOUBTFUL DEBTS EXPENSE

Specific Credit Risk Provision	1,998,200	483,800	1,998,200	483,800
General Provision for Impairment	<u>281,600</u>	<u>382,900</u>	<u>281,600</u>	<u>382,900</u>
	<u>2,279,800</u>	<u>866,700</u>	<u>2,279,800</u>	<u>866,700</u>

**11 CASH AND BANK BALANCES WITH BANK OF GHANA**

	THE GROUP		THE BANK	
	2007	2006	2007	2006
	GH¢	GH¢	GH¢	GH¢
11 CASH AND BANK BALANCES WITH BANK OF GHANA				
Cash in Hand	6,577,520	3,347,000	6,577,520	3,347,000
Balances with Bank of Ghana	<u>10,412,860</u>	<u>9,549,000</u>	<u>10,412,860</u>	<u>9,549,000</u>
	<u>16,990,380</u>	<u>12,896,000</u>	<u>16,990,380</u>	<u>12,896,000</u>

12 GOVERNMENT SECURITIES

Treasury bills	-	The Bank	418,170	223,900	418,170	223,900
-		Sinking Fund	1,174,500	554,500	1,174,500	554,500
1 Year Treasury Note			16,946,240	8,340,100	16,946,240	8,340,100
Floating Rating Investments			14,550,500	-	14,550,500	-
Medium Term Securities			-	7,907,000	-	7,907,000
Ghana Government Index Linked Bonds			<u>-</u>	<u>614,100</u>	<u>-</u>	<u>614,100</u>
			<u>33,089,410</u>	<u>17,639,600</u>	<u>33,089,410</u>	<u>17,639,600</u>

13 DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

Nostro Account Balances	13,991,750	10,156,000	13,991,750	10,156,000
Items in course of collection	3,811,310	6,083,900	3,811,310	6,083,900
Overnight Lending	37,500,000	6,700,000	37,500,000	6,700,000
Foreign Time Deposits	70,870	4,508,900	70,870	4,508,900
Foreign cheques purchased	<u>6,298,610</u>	<u>2,200</u>	<u>6,298,610</u>	<u>2,200</u>
	<u>61,672,540</u>	<u>27,451,000</u>	<u>61,672,540</u>	<u>27,451,000</u>



14 TAXATION

Year of Assessment	Balance 1-Jan '07 GH¢	payment made during the year GH¢	Charge to P&L Account GH¢	Balance at 31st Dec '07 GH¢
14(a) INCOME TAX				
2006	(225,700)	-		(225,700)
2007	-	(1,500,420)	1,795,100	294,680
	<u>(225,700)</u>	<u>(1,500,420)</u>	<u>1,795,100</u>	<u>68,980</u>
(b) NATIONAL RECONSTRUCTION LEVY				
				(1,470)
2004	(1,470)	-	-	1,470
2005	1,470	-	-	(3,770)
2006	(3,770)	-	-	-
2007	-	-	-	-
	<u>(3,770)</u>	<u>-</u>	<u>-</u>	<u>(3,770)</u>
	(229,470)	(1,500,420)	1,795,100	65,210
(c) DIVIDEND INCOME TAX				
Preference Shares				
2006	1,190	1,190		-
2007	-	-	1,160	1,160
	<u>1,190</u>	<u>1,190</u>	<u>1,160</u>	<u>1,160</u>

The amount provided for Income Tax is subject to agreement with the Internal Revenue Service



15 LOANS AND ADVANCES TO CUSTOMERS

THE GROUP		THE BANK	
2007	2006	2007	2006
GH¢	GH¢	GH¢	GH¢

15 LOANS AND ADVANCES TO CUSTOMERS

ANALYSIS BY TYPE

Overdrafts	51,544,780	40,910,200	51,644,780	40,910,200
Term Loans	<u>68,632,540</u>	<u>51,208,400</u>	<u>68,632,540</u>	<u>51,208,400</u>
Gross Loans and Advances	120,177,320	92,118,600	120,277,320	92,118,600
Less: Provision for Bad and Doubtful Debts	(4,671,050)	(2,420,800)	(4,671,050)	(2,420,800)
Interest in Suspense	<u>(1,151,840)</u>	<u>(469,800)</u>	<u>(1,151,840)</u>	<u>(469,800)</u>
Net Loans and Advances	<u>114,354,430</u>	<u>89,228,000</u>	<u>114,454,430</u>	<u>89,228,000</u>
a. Loans and advances (including credit bills negotiable) to customers and staff.	120,177,320	92,118,600	120,277,320	92,118,600
b. Loan Loss provision ratio = Accumulated provision for bad and doubtful debts and Interest in Suspense to Gross Loans.	4.84%	3.14%	4.84%	3.14%
c. Gross non-performing Loans ratio = Aggregate of substandard to Loss Loans (gross) to total Gross Loans.	4.97%	3.03%	4.97%	3.03%
d. Ratio of 50 largest exposures (funded and non-funded) to total exposures (funded and non-funded).	51.94%	52.92%	51.94%	52.92%

16 ANALYSIS BY TYPE OF CUSTOMER

Individuals	4,515,770	6,897,900	4,515,770	6,897,900
Other Private Enterprises	107,941,070	76,933,000	108,041,070	76,933,000
Government departments and agencies	667,990	613,100	667,990	613,100
Public Enterprises	1,888,960	2,444,800	1,888,960	2,444,800
Staff	<u>5,163,530</u>	<u>5,229,800</u>	<u>5,163,530</u>	<u>5,229,800</u>
	120,177,320	92,118,600	120,277,320	92,118,600
Less: Provision for Bad and Doubtful Debts & Interest in Suspense	<u>(5,822,890)</u>	<u>(2,890,600)</u>	<u>(5,822,890)</u>	<u>(2,890,600)</u>
	<u>114,354,430</u>	<u>89,228,000</u>	<u>114,454,430</u>	<u>89,228,000</u>



17 ANALYSIS BY BUSINESS SEGMENTS

	THE GROUP		THE BANK	
	2007 GH¢	2006 GH¢	2007 GH¢	2006 GH¢
Agriculture, Forestry & Fishing	3,255,200	671,100	3,255,200	671,100
Mining and Quarrying	380,210	234,700	380,210	234,700
Manufacturing	17,956,800	17,346,400	17,956,800	17,346,400
Construction	4,579,200	6,146,300	4,579,200	6,146,300
Electricity, Gas and Water	8,288,300	5,135,200	8,288,300	5,135,200
Commerce and Finance	36,385,700	26,384,300	36,485,700	26,384,300
Transport, Storage & Communication	7,149,430	5,863,000	7,149,430	5,863,000
Services	16,343,680	14,840,400	16,343,680	14,840,400
Miscellaneous	<u>25,838,800</u>	<u>15,497,200</u>	<u>25,838,800</u>	<u>15,497,200</u>
	120,177,320	92,118,600	120,277,320	92,118,600
<u>Less: Provision for Bad and Doubtful Debts & Interest in Suspense</u>	<u>(5,822,890)</u>	<u>(2,890,600)</u>	<u>(5,822,890)</u>	<u>(2,890,600)</u>
	<u>114,354,430</u>	<u>89,228,000</u>	<u>114,454,430</u>	<u>89,228,000</u>

Movements in the Banks provisions for impairment and Interest in Suspense are as follows:

(a) Provision for Bad & Doubtful Debts

At 1st January 2007	2,420,800	1,593,600	2,420,800	1,593,600
Write-off against the Provision	(800)	(25,600)	(800)	(25,600)
Decrease in Provision	(186,510)	(136,800)	(186,510)	(136,800)
Increase in Provision	<u>2,437,600</u>	<u>989,600</u>	<u>2,437,600</u>	<u>989,600</u>
At 31st December 2007	<u>4,671,090</u>	<u>2,420,800</u>	<u>4,671,090</u>	<u>2,420,800</u>

(b) Interest in Suspense

At 1st January 2007	469,800	467,900	469,800	467,900
Recoveries	(4,700)	(65,700)	(4,700)	(65,700)
Increase in Provision	<u>686,700</u>	<u>67,600</u>	<u>686,700</u>	<u>67,600</u>
At 31st December, 2007	<u>1,151,800</u>	<u>469,800</u>	<u>1,151,800</u>	<u>469,800</u>
TOTAL	<u>5,822,890</u>	<u>2,890,600</u>	<u>5,822,890</u>	<u>2,890,600</u>

**18 INVESTMENT IN SUBSIDIARIES/OTHER COMPANIES**

		THE GROUP		THE BANK	
		2007	2006	2007	2006
		GH¢	GH¢	GH¢	GH¢
18 INVESTMENT IN SUBSIDIARIES/OTHER COMPANIES					
	Issued Shares Held				
PBL Properties Ltd.	100%	100,000	100,000	100,000	100,000
Prudential Securities Ltd.	100%	-	-	242,700	242,700
Metro Mass Transit	1.81%	97,800	97,800	97,800	97,800
Cal Bank Limited		304,770	92,100	-	-
Airport West Hospitality Ltd.	5.8%	90,100	90,100	90,100	90,100
		<u>592,670</u>	<u>380,000</u>	<u>530,600</u>	<u>530,600</u>

19 OTHER ASSETS

Accounts Receivable and Prepayments	5,020,530	1,351,700	2,666,600	1,351,200
SUNDRY(Deferred and cashiers account)	1,477,500	-	1,477,500	-
Stationery	191,400	120,700	191,400	120,700
Tradable Assets	-	16,500	-	16,500
Accrued Interest on Investment	1,614,900	539,200	1,580,000	536,900
Contra Items	2,670,960	544,600	2,670,960	544,600
Prudential Securities	-	-	122,900	59,900
Pre-Incorporation	15,600	31,200	-	-
Others	802,710	2,300	800,890	-
	<u>11,793,600</u>	<u>2,606,200</u>	<u>9,510,250</u>	<u>2,629,800</u>

20 CUSTOMER DEPOSITS

Current Account	89,862,590	48,043,600	89,930,400	48,062,600
Time Deposits	62,703,760	36,225,800	62,707,830	36,229,800
Savings Deposits	25,284,740	20,067,400	25,284,740	20,067,500
	<u>177,851,090</u>	<u>104,336,800</u>	<u>177,922,970</u>	<u>104,359,900</u>

21 Analysis by Type of Depositors

Financial Institutions	-	(22,900)	-	-
Individual and Other Private Enterprises	175,294,130	101,301,900	175,366,010	101,302,000
Government Department & Agencies	667,990	613,100	667,990	613,100
Public Enterprises	1,888,970	2,444,700	1,888,970	2,444,800
	<u>177,851,090</u>	<u>104,336,800</u>	<u>177,922,970</u>	<u>104,359,900</u>



22(a) PROPERTY, PLANT AND EQUIPMENT – GROUP

	Plant & Machinery GH¢	Branch Development GH¢	Motor Vehicles GH¢	Furniture & Fittings GH¢	Office Equipment GH¢	Computer Systems GH¢	Capital Work In Progress GH¢	Land & Building GH¢	TOTAL GH¢
COST									
At 1st January, 2007	224,800	143,960	1,744,500	658,430	#REF!	2,362,940	27,510	630,560	#REF!
Additions during the year	118,890	-	182,670	133,100	353,080	628,110	712,720	1,273,680	3,402,250
Disposals and Transfers	-	-	(40,670)	-	-	-	-	-	(40,670)
At 31st December, 2007	<u>343,690</u>	<u>143,960</u>	<u>1,886,500</u>	<u>791,530</u>	<u>#REF!</u>	<u>2,991,050</u>	<u>740,230</u>	<u>1,904,240</u>	<u>#REF!</u>
DEPRECIATION									
At 1st January, 2007	115,440	54,000	798,160	329,730	382,990	768,800	-	-	2,449,120
Charge for the year	45,790	4,080	#REF!	238,850	147,720	510,530	-	-	#REF!
Released on Disposals	-	-	(25,760)	-	-	-	-	-	(25,760)
At 31st December, 2007	<u>161,230</u>	<u>58,080</u>	<u>#REF!</u>	<u>568,580</u>	<u>530,710</u>	<u>1,279,330</u>	<u>-</u>	<u>-</u>	<u>#REF!</u>
NET BOOK VALUE									
At 31st December, 2007	<u>182,460</u>	<u>85,880</u>	<u>#REF!</u>	<u>222,950</u>	<u>#REF!</u>	<u>1,711,720</u>	<u>740,230</u>	<u>1,904,240</u>	<u>#REF!</u>
At 31st December, 2006	<u>109,360</u>	<u>89,960</u>	<u>946,340</u>	<u>328,700</u>	<u>#REF!</u>	<u>1,594,140</u>	<u>27,510</u>	<u>630,560</u>	<u>#REF!</u>
PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT									
	2007 GH¢	2006 GH¢							
Gross Book Value	40,670	5,000							
Accumulated Depreciation	<u>25,760</u>	<u>5,000</u>							
Net Book Value	14,910	-							
Sales Proceeds	-	3,000							
Net Profit(Loss)	<u>(14,910)</u>	<u>3,000</u>							



22(b) PROPERTY, PLANT AND EQUIPMENT – BANK

	Plant & Machinery GH¢	Branch Development GH¢	Motor Vehicles GH¢	Furniture & Fittings GH¢	Office Equipment GH¢	Computer Systems GH¢	Capital Work In Progress GH¢	Land & Building GH¢	TOTAL GH¢
COST									
At 1st January, 2007	224,800	143,960	1,716,800	649,310	709,750	2,333,500	27,510	630,560	6,436,190
Additions during the year	118,890	-	182,670	133,100	353,080	625,400	712,720	1,273,680	3,399,540
Disposals and Transfers	-	-	(40,670)	-	-	-	-	-	(40,670)
At 31st December, 2007	<u>343,690</u>	<u>143,960</u>	<u>1,858,800</u>	<u>782,410</u>	<u>1,062,830</u>	<u>2,958,900</u>	<u>740,230</u>	<u>1,904,240</u>	<u>9,795,060</u>
DEPRECIATION									
At 1st January, 2007	115,440	54,000	790,770	327,200	381,920	760,000	-	-	2,429,330
Charge for the year	45,790	4,080	312,280	237,030	146,840	503,000	-	-	1,249,020
Released on Disposals	-	-	(25,760)	-	-	-	-	-	(25,760)
At 31st December, 2007	<u>161,230</u>	<u>58,080</u>	<u>1,077,290</u>	<u>564,230</u>	<u>528,760</u>	<u>1,263,000</u>	<u>-</u>	<u>-</u>	<u>3,652,590</u>
NET BOOK VALUE									
At 31st December, 2007	<u>182,460</u>	<u>85,880</u>	<u>781,510</u>	<u>218,180</u>	<u>534,070</u>	<u>1,695,900</u>	<u>740,230</u>	<u>1,904,240</u>	<u>6,142,470</u>
At 31st December, 2006	<u>109,360</u>	<u>89,960</u>	<u>926,030</u>	<u>322,110</u>	<u>327,830</u>	<u>1,573,500</u>	<u>27,510</u>	<u>630,560</u>	<u>4,006,860</u>

PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2007 GH¢	2006 GH¢
Gross Book Value	40,670	5,000
Accumulated Depreciation	<u>25,760</u>	<u>5,000</u>
Net Book Value	14,910	-
Sales Proceeds	<u>-</u>	<u>3,000</u>
Net Profit(Loss)	<u>(14,910)</u>	<u>3,000</u>



	THE GROUP		THE BANK	
	2007	2006	2007	2006
	GH¢	GH¢	GH¢	GH¢
24 MANAGED FUNDS				
TIP/MOF Fund for NTE'S	2,021,800	1,859,800	2,021,800	1,859,800
DANIDA Capital Fund for SMEs	172,010	156,830	172,010	156,830
MOWAC/JAPANESE FUND	599,840	61,850	599,840	61,850
GTZ/SMEP Fund	<u>61,850</u>	<u>537,240</u>	<u>61,850</u>	<u>537,240</u>
	<u>2,855,500</u>	<u>2,615,720</u>	<u>2,855,500</u>	<u>2,615,720</u>

a. TIP/MOF Fund

This represents a special credit scheme being administered by the Bank on behalf of the Government of Ghana.

The scheme is targeted at enterprises engaged in the production and export of non-traditional export commodities.

b. Danida Capital Fund

This Fund represents a special credit scheme being administered by the Bank on behalf of the Danish International Development Agency for small and medium scale enterprises engaged in fish processing, food processing and handicraft sub-sectors of the economy.

c. GTZ/SMEP Fund

This is a fund set up by the Government of Ghana and Germany to provide credit to small and micro enterprises.

d. MOWAC/Japanese Fund

This is a fund set up by the Governments of Ghana (through its Ministry of women and children affairs- MOWAC) and Japan to provide working capital for women entrepreneurs who are disadvantaged in accessing loans from the traditional banks.

25 INTEREST PAYABLE AND OTHER LIABILITIES

TIP/MOF Fund	149,200	75,000	149,200	75,000
DANIDA Fund	27,780	26,100	27,780	26,200
Interest Payable on Funds	2,177,100	703,500	2,177,100	703,500
Margins on Letters of Credits	1,796,100	5,818,600	1,796,100	5,818,700
Payment Order & Bankers Payment	3,232,300	2,240,300	3,232,300	2,240,300



Dividend Payable	11,600	11,900	11,600	11,900
Others	<u>20,083,180</u>	<u>17,801,600</u>	<u>17,685,860</u>	<u>17,782,200</u>
	<u>27,477,260</u>	<u>26,677,000</u>	<u>25,079,940</u>	<u>26,657,800</u>

**26 BORROWINGS**

	THE GROUP		THE BANK	
	2007	2006	2007	2006
	GH¢	GH¢	GH¢	GH¢
26 BORROWINGS				
EDIF	1,879,060	1,527,700	1,879,060	1,527,700
SSNIT Export Finance Loans	3,000,000	3,000,000	3,000,000	3,000,000
Repurchase Agreements	22,246,440	8,085,700	22,246,440	8,085,700
Export Finance Bonds	882,000	884,000	882,000	884,000
Overnight Borrowings	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
	<u>28,007,500</u>	<u>15,497,400</u>	<u>28,007,500</u>	<u>15,497,400</u>

28 CONTINGENCIES AND COMMITMENTS

The Bank entered into various commitments in the normal course of its banking business which are not reflected in the accompanying balance sheet.

These commitments are shown below:

Guarantees and Indemnities	5,224,110	3,941,920	5,224,110	3,941,920
Documentary Credits	<u>4,217,790</u>	<u>4,715,480</u>	<u>4,217,790</u>	<u>4,715,480</u>
	<u>9,441,900</u>	<u>8,657,400</u>	<u>9,441,900</u>	<u>8,657,400</u>



29 STATED CAPITAL

AUTHORISED

Number of Shares
of no par value

ORDINARY

100,000,000

	2007				2006			
	ORDINARY		PREFERENCE		ORDINARY		PREFERENCE	
	Number	GH¢	Number	GH¢	Number	GH¢	Number	GH¢
a ISSUED AND FULLY PAID								
For cash	11,925,000	119,250	1,600,000	80,000	11,925,000	119,250	1,600,000	80,000
For Consideration Other than Cash	3,075,000	30,750	-	-	3,075,000	30,750	-	-
Transfer from Income Surplus Account	<u>34,150,000</u>	<u>6,950,000</u>	<u>-</u>	<u>-</u>	<u>34,150,000</u>	<u>6,950,000</u>	<u>-</u>	<u>-</u>
	<u>49,150,000</u>	<u>7,100,000</u>	<u>1,600,000</u>	<u>80,000</u>	<u>49,150,000</u>	<u>7,100,000</u>	<u>1,600,000</u>	<u>80,000</u>

There is no share in treasury and no call or installments unpaid on any share

b PREFERENCE SHARES SINKING FUND

The bank has a sinking fund for the redemption of the preference shares in line with the terms and conditions of their issue.

30 STATUTORY RESERVE FUND

	2007 GH¢	2006 GH¢
At 1st January	786,100	2,286,100
Transfer from Income Surplus Account	1,614,950	600,000
Stated Capital	<u>-</u>	<u>(2,100,000)</u>
At 31st December	<u>2,401,050</u>	<u>786,100</u>

The fund represents the amount set aside from annual net profits after tax, as required by the Banking Act, 2004 (Act 673).



31 SUMMARY OF CURRENCY EXPOSURES AT YEAR END IN CEDI EQUIVALENTS OF THE FOLLOWING MAJOR FOREIGN CURRENCIES

	TOTAL	US	BRITISH	EURO	OTHERS
	GH¢	DOLLAR	POUND	GH¢	GH¢
ASSETS					
Cash and Balances with Bank of Ghana	5,071,332	2,746,580	1,608,576	716,176	-
Government Securities	-	-	-	-	-
Due from other Banks & Financial Institutions	20,361,228	6,660,925	2,395,064	11,305,239	-
Investment in other Securities	-	-	-	-	-
Loans and Advances to Customers	24,058,182	20,629,133	256,705	3,172,344	-
Investment in Subsidiary	-	-	-	-	-
Other Assets	83,223	-	22,897	60,326	-
Property, Plant and Equipment	-	-	-	-	-
Tax	-	-	-	-	-
TOTAL ASSETS	<u>49,573,965</u>	<u>30,036,638</u>	<u>4,283,242</u>	<u>15,254,085</u>	<u>-</u>
LIABILITIES					
Due to Customers	47,813,267	27,370,388	4,173,335	16,269,544	-
Due to Bank of Ghana	-	-	-	-	-
Due to other Banks and Financial Institutions	-	-	-	-	-
Borrowed Funds	-	-	-	-	-
Other Liabilities	<u>4,766,223</u>	<u>3,029,156</u>	<u>926,015</u>	<u>811,052</u>	<u>-</u>
TOTAL LIABILITIES	<u>52,579,490</u>	<u>30,399,544</u>	<u>5,099,350</u>	<u>17,080,596</u>	<u>-</u>
NET ON BALANCE SHEET POSITION	<u>(3,005,525)</u>	<u>(362,906)</u>	<u>(816,108)</u>	<u>(1,826,511)</u>	<u>-</u>
Off Balance Sheet Credit Commitments					
Letters of Credit	4,056,746	3,794,584	30,376	231,786	-
Bonds & Guarantees	<u>3,092,348</u>	<u>2,715,329</u>	<u>-</u>	<u>375,295</u>	<u>1,724</u>
	<u>7,149,094</u>	<u>6,509,913</u>	<u>30,376</u>	<u>607,081</u>	<u>1,724</u>
At 31st December, 2006					
Total Assets	41,629,708	26,289,039	5,044,507	10,296,162	-
Total Liabilities	<u>41,179,692</u>	<u>25,792,506</u>	<u>5,087,917</u>	<u>10,299,269</u>	<u>-</u>
Net on Balance Sheet position	<u>450,016</u>	<u>496,533</u>	<u>(43,410)</u>	<u>(3,107)</u>	<u>-</u>
Off Balance Sheet Credit Commitments					
Letters of Credit	3,910,400	2,442,000	1,091,300	377,100	-
	-	-	-	-	-
Bonds & Guarantees	<u>2,254,600</u>	<u>2,062,900</u>	<u>-</u>	<u>-</u>	<u>191,700</u>
	<u>6,165,000</u>	<u>4,504,900</u>	<u>1,091,300</u>	<u>377,100</u>	<u>191,700</u>



32(a) Maturity Analysis of Assets and Liabilities (in months) – Group

	TOTAL GH¢	0-3 GH¢	3-6 GH¢	6-12 GH¢	Over 12 GH¢
ASSETS					
Cash and Balances with Bank of Ghana	16,990,380	16,990,380	-	-	-
Government Securities	33,089,410	15,565,650	2,035,470	317,790	15,170,500
Due from other Banks and Financial Institutions	61,672,540	61,672,540	-	-	-
	-	-	-	-	-
Loans and Advances to Customers	114,354,430	28,364,750	24,171,930	30,091,920	31,725,830
Investment in Subsidiary/Other companies	592,670	-	-	-	592,670
Other Assets	11,793,600	1,297,300	1,179,360	1,061,420	8,255,520
Property, Plant and Equipment	6,180,280	2,726,590	2,032,160	231,660	1,189,870
TOTAL ASSETS	<u>244,673,310</u>	<u>126,617,210</u>	<u>29,418,920</u>	<u>31,702,790</u>	<u>56,934,390</u>
LIABILITIES					
Due to Customers	177,851,090	61,663,150	23,808,170	27,901,200	64,478,570
Due to Bank of Ghana	-	-	-	-	-
Due to other Banks and Financial Institutions	-	-	-	-	-
Managed Funds	-	-	-	-	-
Borrowed Funds	28,007,500	928,970	-	25,166,450	1,912,080
Other Liabilities	27,477,260	10,129,980	4,037,450	4,185,040	9,124,790
Tax	65,210	65,210	-	-	-
TOTAL LIABILITIES	<u>233,401,060</u>	<u>72,787,310</u>	<u>27,845,620</u>	<u>57,252,690</u>	<u>75,515,440</u>
NET LIQUIDITY GAP	<u>11,272,250</u>	<u>53,829,900</u>	<u>1,573,300</u>	<u>(25,549,900)</u>	<u>(18,581,050)</u>
At 31st December, 2006					
Total Assets	154,487,000	69,163,300	17,133,600	26,601,700	41,588,400
Total Liabilities	146,511,200	43,837,200	15,463,300	25,922,900	61,287,800
NET LIQUIDITY GAP	<u>7,975,800</u>	<u>25,326,100</u>	<u>1,670,300</u>	<u>678,800</u>	<u>(19,699,400)</u>



32(b) Maturity Analysis of Assets and Liabilities (in months) – Bank

	TOTAL GH¢	0-3 GH¢	3-6 GH¢	6-12 GH¢	Over 12 GH¢
ASSETS					
Cash and Balances with Bank of Ghana	16,990,380	16,990,380	-	-	-
Government Securities	33,089,410	15,565,650	2,035,470	317,790	15,170,500
Due from other Banks and Financial Institutions	61,672,540	61,672,540	-	-	-
Loans and Advances to Customers	114,454,430	28,364,750	24,171,930	30,091,920	31,825,830
Investment in Subsidiary/Other companies	530,600	-	-	-	530,600
Other Assets	9,510,250	1,297,300	1,179,360	1,061,420	5,972,170
Property, Plant and Equipment	<u>6,142,470</u>	<u>2,726,590</u>	<u>2,032,160</u>	<u>193,850</u>	<u>1,189,870</u>
TOTAL ASSETS	<u>242,390,080</u>	<u>126,617,210</u>	<u>29,418,920</u>	<u>31,664,980</u>	<u>54,688,970</u>
LIABILITIES					
Due to Customers	177,922,970	61,663,150	23,808,170	27,901,200	64,550,450
Due to Bank of Ghana	-	-	-	-	-
Due to other Banks and Financial Institutions	-	-	-	-	-
Managed Funds	-	-	-	-	-
Borrowed Funds	28,007,500	928,970	-	25,166,450	1,912,080
Other Liabilities	25,079,940	10,129,980	4,037,450	4,185,040	6,727,470
Tax	<u>65,210</u>	<u>65,210</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>231,075,620</u>	<u>72,787,310</u>	<u>27,845,620</u>	<u>57,252,690</u>	<u>73,190,000</u>
NET LIQUIDITY GAP	<u>11,314,460</u>	<u>53,829,900</u>	<u>1,573,300</u>	<u>(25,587,710)</u>	<u>(18,501,030)</u>
At 31st December, 2006					
Total Assets	154,611,300	67,414,700	18,299,300	27,184,500	41,712,800
Total Liabilities	<u>146,515,100</u>	<u>43,817,900</u>	<u>15,463,400</u>	<u>25,922,900</u>	<u>61,310,900</u>
NET LIQUIDITY GAP	<u>8,096,200</u>	<u>23,596,800</u>	<u>2,835,900</u>	<u>1,261,600</u>	<u>(19,598,100)</u>

BY ORDER OF THE BOARD

.....)
) **DIRECTORS**
)
.....)

ACCRA

.....2008



OUR BRANCH NETWORK

RING ROAD CENTRAL BRANCH

8 Nima Avenue
Ring Road Central, Accra
Tel.: 233-21-781200/1/2/3/4/5/6/7
Fax: 233-21-781210, 773389

ACCRA BRANCH

Swanzy Shopping Arcade (Former Kingsway Building)
Tel.: 233-21-671943, 678982
Fax: 233-21-678942

ABOSSEY OKAI BRANCH

Cap and May House,
Ring Road West,
Accra
Tel.: 233-21-669107, 669944, 664108/9
Fax: 233-21-668126

MADINA BRANCH

Albert House
Zongo Junction
Madina,
Accra
Tel.: 233-21-511111, 511112
Fax: 233-21-511485

GICEL BRANCH

Gicel Estates,
Weija, Accra
Tel.: 233-21-850174, 859175, 850176
Fax: 233-21-850173

TEMA BRANCH

KAAS Fisheries Building
Fishing Harbour Road, Tema
Tel.: 233-22-200575, 200576
Fax: 233-22-200577

KUMASI BRANCH

Cocobod Jubilee House
Adum, Kumasi
Tel.: 233-51-25667, 26210, 45426, 45427
Fax: 233-51-25917

INTERNATIONAL BANKING DEPARTMENT

8 Nima Avenue
Ring Road Central, Accra
Tel.: 233-21-781200/1/2/3/4/5/6/7
Fax: 233-21-781194

MAKOLA BRANCH

31st December Market
Makola, Accra
Tel.: 233-21-686638, 676639
Fax: 233-21-676640

SPINTEX ROAD BRANCH

(Adjacent CCTC, Next to Coca-Cola Roundabout)
Spintex Road, Accra
Tel.: 233-21-814409, 814399
Fax: 233-21-812934

ADUM BRANCH

Prudential Plaza,
(Formerly Unicorn House)
Adum, Kumasi
Tel.: 233-51-83814, 83811/2
Fax: 233-51-83815

TEMA COMMUNITY ONE BRANCH

Prudential House,
Off Krakrue Road
Commercial Area, Tema
Tel.: 233-22- 217160-2, 217140
Fax: 233-22 217137

WEIJA BRANCH

(Opposite Phastor Contrete Works)
Accra-Winneba Road
Accra
Tel.: 233-21-853494/5
Fax: 233-21853496

All our Branches are networked and customers can withdraw or pay in at any of them



CORRESPONDENT BANKS

CITIBANK N.A.
111 WALL STREET
19TH FLOOR
NEW YORK, N.Y. 10043
U.S.A.

CITIBANK N.A.
CITIBANK HOUSE
P.O. BOX 78
336 THE STRAND
LONDON WC2R 1HB
UNITED KINGDOM

CITIBANK A.G.
NEUE MAINZER STRASSE 75
60311 FRANKFURT MAIN
GERMANY

BHF BANK
AKTIENGESELLSCHAFT
BOCKENHEIMER LANDSTRASSE 10
60323 FRANKFURT AM MAIN
GERMANY

GHANA INTERNATIONAL BANK PLC
69 CHEAPSIDE
P.O. BOX 77
LONDON EC2P 2BB
UNITED KINGDOM



NOTICE OF ANNUAL GENERAL MEETING

We are pleased to give you notice of, and invite you to the Tenth Annual General Meeting of Prudential Bank Limited to be held at the Boardroom of the Head Office, Ring Road Central, Accra, on Wednesday, 26th March, 2008, at 12noon to transact the following business:

1. To waive the statutory notice of 21 days
2. To receive and consider the report of the Directors for the financial year of operation ended 31st December, 2007.
3. To receive and consider the Auditors' Report for the financial year of 2007.
4. To receive, consider and approve the Annual Accounts.
5. To declare dividend to Preference Shareholders
6. To approve the remuneration of the non-executive directors.
7. To re-elect the Auditors
8. To authorize the Directors to fix the remuneration of the Auditors.
9. To ratify the Board of Directors amendment of the Special Resolution on the Bonus Shares passed at the Extraordinary General Meeting (EGM) held on 6th December, 2006 as follows:

"That ₦5.0billion out of the ₦10.0billion transferred from Income Surplus Account to Stated Capital be converted into shares at ₦2,000 per unit for allotment to all existing shareholders whose names at the date of this resolution appear on the register of Members in proportion to the current holdings with effect from the 6th December, 2006".

Dated this 15th day of March, 2007.

By Order of the Board

**OSEI YAW OSAFO
COMPANY SECRETARY**



NOTES

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in place of that Member. A Proxy need not be a Member. A Proxy Form is attached.
2. The Proxy Form must be delivered by hand or post to **The Secretary, Prudential Bank Limited, No. 8 Nima Avenue, Ring Road Central, Kanda, Accra** at least 24 hours before the appointed time for the Meeting.
3. A copy of the Audited Financial Statement is attached.