



**OUR TAKORADI HARBOUR BRANCH  
LOCATED IN THE FORMER ATLANTIC PORT SERVICE (APS) BUILDING**



**OUR TEMA FISHING HARBOUR BRANCH**



# CONTENTS

	<b>PAGE</b>
• Corporate Mission	3
• Corporate Information	5
• Performance at a Glance	8
• Five (5) Years' Summary	9
• Chairman's Statement	10-14
• Report of the Directors	15
• Statement of Directors Responsibilities	16
• Report of the Auditors	17
• Profit and Loss Account	19
• Balance Sheet	20
• Cash Flow Statement	21
• Notes to the Financial Statements	23-49
• Branch Network	50
• Correspondent Banks	51
• Notice of Annual General Meeting	52



## **CORPORATE MISSION**

To provide domestic and international banking services with a strategic focus on project financing and export development. PBL is committed to playing 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.



# BOARD OF DIRECTORS



JOHN S. ADDO  
CHAIRMAN



S. SEKYERE ABANKWA  
M. D.



JOANA F. DICKSON  
MEMBER



S. NKANSA-BOADI  
MEMBER



NORTEY K. OMABOE  
MEMBER



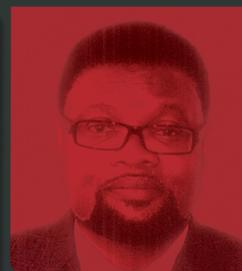
PHYLLIS M. CHRISTIAN  
MEMBER



ARETHA DUKU  
MEMBER



K. AGYEI-GYAMFI  
MEMBER



DR. A. W. Q. BARNOR  
MEMBER



OSEI YAW OSAFO (BOARD SECRETARY)

**AUDITORS:**

Morrison & Associates, Chartered Accountants,  
Tax & Management Consultants.  
2<sup>nd</sup> Floor Trinity House, Ring Road East  
P. O. Box C2890 Cantonments, Accra  
Tel.: 771372/3

**POSTAL ADDRESS:**

Private Mail Bag General Post Office  
Accra.

**REGISTERED OFFICE:**

8 Nima Avenue  
Ring Road Central  
Accra, Ghana

Tel: 233-21-781200-7  
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E-mail: [headoffice@prudentialbank.com.gh](mailto:headoffice@prudentialbank.com.gh)





Mr. J.S. Addo (Board Chairman), cuts tape to officially inaugurate the Takoradi Harbour branch.



Staff at Takoradi Harbour Branch assist customer to open an account.



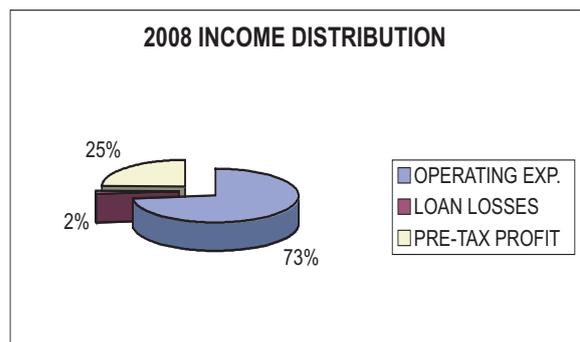
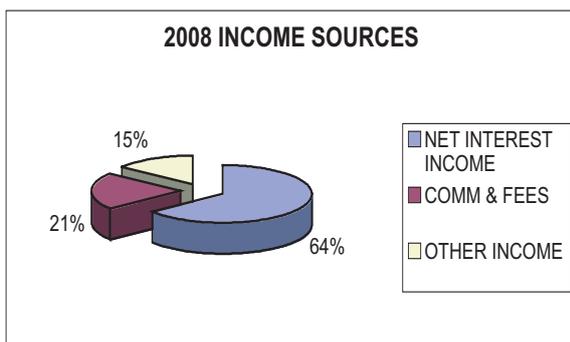
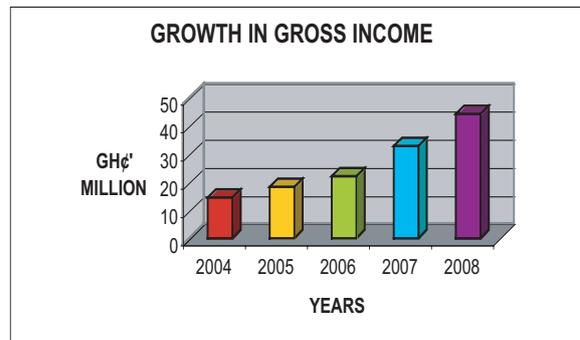
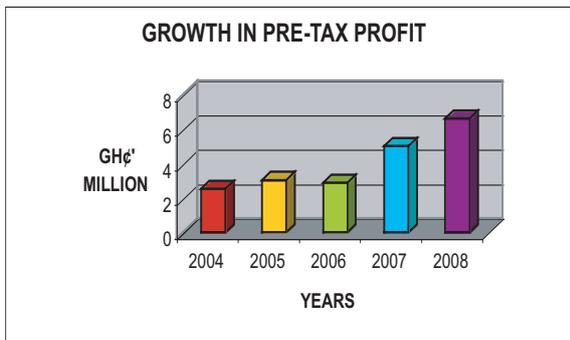
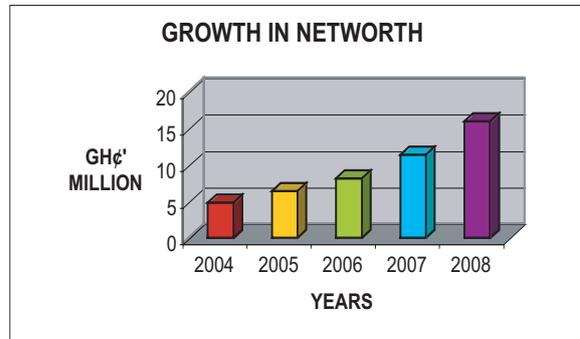
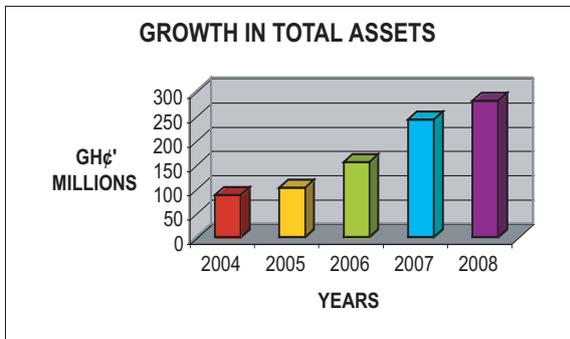
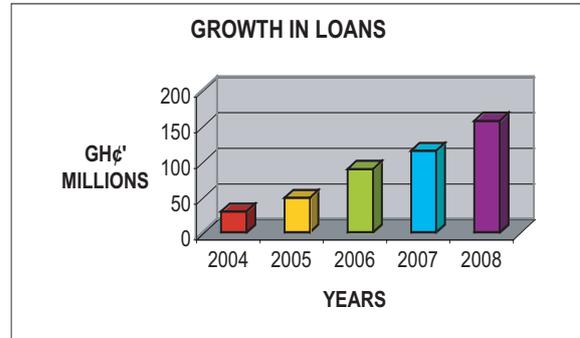
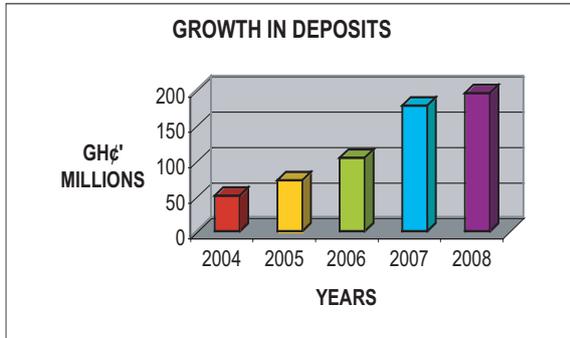
Board Chairman, Senior Management Team and Clergy at Tema Fishing Harbour Branch opening.



Cross section of invited guests, customers and staff at the official opening of Tema Fishing Harbour Branch.



### PERFORMANCE AT A GLANCE





## SUMMARY OF PERFORMANCE FROM 2004 - 2008

	2008 GH¢	2007 GH¢	2006 GH¢	2005 GH¢	2004 GH¢
<b>PROFIT AND LOSS ACCOUNT</b>					
Interest Income	34,568,029	25,951,253	17,537,900	14,039,000	11,004,400
Interest Expense	(17,239,094)	(11,974,461)	(6,988,700)	(6,347,300)	(5,370,600)
NET INTEREST INCOME	17,328,935	13,976,792	10,549,200	7,691,700	5,633,800
Commissions and Fees	5,575,598	5,225,514	3,862,800	3,360,800	2,827,100
Other Operating Income	3,988,636	1,220,344	629,400	705,500	549,600
TOTAL INCOME	26,893,169	20,422,650	15,041,400	11,758,000	9,010,500
Operating Expenses	(19,685,402)	(13,419,677)	(11,291,100)	(7,915,100)	(5,914,200)
Loan Impairment Expense	(596,652)	(1,925,769)	(866,700)	(807,800)	(575,800)
PROFIT BEFORE TAX	6,611,115	5,077,204	2,883,600	3,035,100	2,520,500
Taxation	(2,217,292)	(2,322,966)	(1,152,900)	(734,400)	(715,000)
<b>NET PROFIT AFTER TAX</b>	<b>4,393,823</b>	<b>2,754,238</b>	<b>1,730,700</b>	<b>2,300,700</b>	<b>1,805,500</b>
<b>INCOME SURPLUS ACCOUNT</b>					
Balance at 1st January	671,887	(113,356)	11,300	796,900	720,500
Retained Profit	4,393,823	2,754,238	1,730,700	2,300,700	1,805,500
	5,065,710	2,640,882	1,742,000	3,097,600	2,526,000
Prior Year Adjustment/Loan Impairment	(591,145)	(354,045)	(243,456)	(709,000)	
Transfer to Statutory Reserve Fund	(2,196,912)	(1,614,950)	(600,000)	(575,200)	(225,700)
Proposed Dividend	0	0	(11,900)	(16,100)	(17,500)
Transfer to Sinking Fund Reserve	0	0	0	304,000	(85,900)
Transfer to Stated Capital	0	0	(1,000,000)	(2,090,000)	(1,400,000)
<b>Balance at 31st December</b>	<b>2,277,653</b>	<b>671,887</b>	<b>(113,356)</b>	<b>11,300</b>	<b>796,900</b>
<b>BALANCE SHEET</b>					
	2008 GH¢	2007 GH¢	2006 GH¢	2005 GH¢	2004 GH¢
<b>ASSETS</b>					
Cash and Balances with Bank of Ghana	18,974,297	16,990,383	12,896,000	4,493,800	6,617,300
Government Securities	26,865,388	34,534,891	17,639,600	32,110,600	27,421,400
Due from other Banks and Financial Inst.	57,501,551	61,807,022	27,451,000	10,928,600	19,368,900
Loans and to Advances Customers	156,896,234	115,159,751	89,228,000	48,449,700	29,462,900
Investments in Subsidiaries	530,605	530,605	530,600	387,900	387,900
Other Assets	9,249,273	8,666,445	2,629,800	2,372,100	2,173,000
Taxation	0	0	229,500	332,200	372,100
	270,017,348	237,689,097	150,604,500	99,074,900	85,802,600
Property, Plant and Equipment	10,962,549	6,142,466	4,006,800	2,870,900	1,445,200
<b>TOTAL ASSETS</b>	<b>280,979,897</b>	<b>243,831,563</b>	<b>154,611,300</b>	<b>101,945,800</b>	<b>87,247,800</b>
<b>LIABILITIES AND SHAREHOLDERS' FUND</b>					
Deposits and Current Accounts	195,287,261	178,964,728	104,359,900	72,356,100	50,395,000
Interest payable and Other liabilities	37,520,655	23,165,025	26,657,800	14,863,300	27,293,200
Taxation	1,779,780	915,524	0	0	0
	234,587,696	203,045,277	131,017,700	87,219,400	77,688,200
Borrowings	30,446,540	29,234,448	15,497,400	8,349,000	4,757,800
<b>TOTAL LIABILITIES</b>	<b>265,034,236</b>	<b>232,279,725</b>	<b>146,515,100</b>	<b>95,568,400</b>	<b>82,446,000</b>
<b>SHAREHOLDERS FUNDS</b>					
Stated Capital	7,100,000	7,100,000	7,180,000	4,080,000	1,990,000
Income Surplus Account	2,277,653	671,887	(113,356)	11,300	796,900
Statutory Reserve Fund	4,597,968	2,401,056	786,100	2,286,100	1,710,900
Regulatory Loan Impairment Reserve	1,970,040	1,378,895			
Sinking Fund Reserve	0	0	0	0	304,000
	15,945,661	11,551,838	7,852,744	6,377,400	4,801,800
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>280,979,897</b>	<b>243,831,563</b>	<b>154,367,844</b>	<b>101,945,800</b>	<b>87,247,800</b>
Managed Funds on behalf of Government of Ghana and Danida	3,078,715	2,855,500	2,615,700	2,618,000	2,156,200
Liabilities on Guarantees and Indemnities	13,390,390	9,441,900	8,657,400	7,896,000	6,217,400

## CHAIRMAN'S STATEMENT



### 1.0 INTRODUCTION

Distinguished Shareholders and Directors, once again I am delighted to welcome you to the 12th Annual General Meeting of Prudential Bank Limited and to report on the performance of your Bank for the year ended 31st December 2008.

### 2.0 THE GLOBAL ECONOMIC ENVIRONMENT

The Year 2008 was very challenging for the world economy due to the global financial crisis, consequences of which have led to the collapse of some leading financial services firms and plunged most economies into recession.

It is also worth recalling the combined disruptive effect of the global food crises and the astronomical increases in the price of crude oil, which peaked at record level of about US\$147 per barrel on developing economies.

### 2.1 OVERVIEW OF THE GHANAIAN ECONOMY IN YEAR 2008

The above happenings in the global economy during the year adversely affected the growth of the Ghanaian economy as it was unable to achieve its overall economic growth and inflationary targets.

#### Overall GDP Growth Rate

Real GDP grew at 6.2%, registering a negative variance of 0.8% as against the projected growth rate of 7.0% due mainly to the poor performance of the Industrial and Service Sectors. The Industrial Sector, in particular, was adversely affected by the energy crisis and stiff competition from imports, making it difficult for it to achieve its growth target of 9.8% (actual of 8.3%).

#### Inflation

Year-on-year inflation increased from 12.7% in December 2007 to 18.1% at the end of the year, against the projected single digit target of between 6 and 8 per cent. The accelerated inflation was caused, among factors by domestic fuel price increases during the first half of Year 2008 which added to the cost associated with food distribution across the country, excess liquidity in the system and the high cost of imported goods.

#### Exchange Rate

Analysis of the developments in the nominal exchange rates of the cedi against the three major currencies showed that the Cedi depreciated, cumulatively, against the US dollar and the Euro by 22.9% and 19.1% respectively; but appreciated 7.1% against the Pound sterling during the 2008 financial year. The worsening of the cedi was caused by the adverse developments in the macroeconomic situations highlighted above.



## Interest Rates

Market interest rates registered significant upward movements during the year in tandem with the rise in the rate of inflation and Bank of Ghana's prime rate. The Bank of Ghana's prime rate of 13.5% at the beginning of the year was increased to 17% during the year in line with the high inflationary trend in the economy.

As a result of these developments, the interest rate equivalent of the benchmark 91-day Treasury bill and that of the 182-day Treasury bill rose significantly from 10.8% at the beginning of the year for both instruments to 24.66% and 26.18% respectively at the end of Year 2008.

Banks adjusted their lending rates accordingly in line with these trends.

## 3.0 PERFORMANCE OF PBL IN YEAR 2008

Distinguished Shareholders, in its efforts to bring banking services closer to the doorsteps of its customers, your bank made significant investments in its branch network expansion programme by opening seven more branches; three in Accra, one in Kumasi, two in Tema and one in Takoradi. The Bank also commenced the implementation of its electronic banking programme during the year by launching its Cashwise ATMs to provide customers with more convenient and flexible access to their cash and other banking services.

### 3.1 Mobilization of Resources

#### 3.1.1 Deposits

During the year under review the Bank grew its deposits by 9.12% from GH¢178.96million to GH¢195.29million. Time and Savings deposits which together accounted for about 57% of the total deposits were the main source of the growth.

#### 3.1.2 Shareholders' Funds

Shareholders' funds increased from GH¢11.55million in Year 2007 to GH¢15.94million in Year 2008 representing a growth rate of 38%.

### 3.2 Allocation of Resources

During the year, the Bank allocated a greater proportion of its resources to loans and advances to generate higher levels of income whilst ensuring that daily operational and regulatory liquidity requirements were met.

The total assets of the Bank grew by 15.24% from GH¢243.83 million in Year 2007 to GH¢280.98 million in Year 2008. This growth was mainly funded by deposits, borrowings and retained earnings.

#### 3.2.1 Investments

The Bank's level of investment in government securities was reduced by 22% from GH¢34.5million in Year 2007 to GH¢26.86million in Year 2008. The reduction was necessary for liquidity management purposes and also to enable the Bank fund the 36% increase in the credit portfolio.



### 3.2.2 Lending Operations

The loans and advances portfolio registered an increase of 36% over the previous year; from GH¢115.16million in Year 2007 to GH¢156.9 million in Year 2008.

### 3.3 **Results of Operations**

Distinguished shareholders, notwithstanding the competitive pressures, your bank was able to register an impressive profit level in Year 2008. The Bank's pre-tax profit increased by 30.2% over that of Year 2007; from GH¢5.08million in Year 2007 to GH¢6.6million in Year 2008.

The profit after tax transferred to Income Surplus at the end of the year was GH¢4.39 million. This translates into a return on assets (ROA) of 1.67% and return on equity (ROE) of 31.96%. This compares favourably with the Year 2007 returns of 1.38% and 28.04% respectively.

### 3.4 **Dividend and Capital**

Distinguished ladies and gentlemen, notwithstanding the fact that your Bank improved upon its performance in Year 2008, the Directors are constrained by the requirement of Bank of Ghana for the Bank to increase its minimum capital to GH¢25.0 million by Year 2010 and further to GH¢60.0 million by Year 2012. The Board of Directors is therefore unable to recommend the payment of dividend to Ordinary Shareholders. In this regard, the Board of Directors can only recommend payment of dividend amounting to GH¢17,940 to the Preference Shareholders.

### 3.5 **Corporate Governance**

I am pleased to report that the Board and its Audit Sub-Committee, during the year under review, performed their supervisory obligations effectively. The two bodies held regular scheduled meetings to deliberate on key operational issues, quarterly management reports, internal control and Bank of Ghana reports which promoted effective control and direction of the Bank.

### 3.6 **Compliance with International Financial Reporting Standards (IFRS)**

Distinguished shareholders, the financial statements of your Bank for Year 2008 comply with the International Financial Reporting Standards (IFRS). This is in line with the mandatory requirement of the Institute of Chartered Accountants, Ghana and the Bank of Ghana, for banks and public interest entities in Ghana to comply with the Standards at the end of Year 2008, to promote transparency and comparability of financial statements globally.

## 4.0 **OUTLOOK FOR THE FUTURE**

### 4.1 **The Ghanaian Economy**

The policy thrust of the new Government's Economic Policy and Programme for year 2009 is to reduce the current budget deficit of 14.9% of GDP to a sustainable level,

improve the exchange rate regime and work towards the attainment of single digit inflation. These are considered necessary conditions for the attainment of middle income status by the Year 2020.

The following are the key macroeconomic targets for year 2009 as stated in the Government's Year 2009 budget statement:

- A real GDP growth of at least 5.9 per cent;
- A lowering of end of year inflation to 12.5per cent;
- Average inflation rate of 15.3 per cent;
- Accumulation and maintenance of gross international reserves equivalent to more than two months of import cover of goods and services; and
- Overall budget deficit of 9.4 per cent of GDP

## **4.2 The Banking Industry**

The banking industry is expected to remain highly competitive with focus on customer service, pricing, product innovation, broadening of customer base and expansion in branch network. These are all geared towards offering existing and potential customers options that will give them best added value. Banks are expected to roll out many more branches as a means of bringing banking services to the doorsteps of the public.

The Bank of Ghana continues its drive to ensure efficient payment and settlement system in the banking industry through information and communication technology. While the e-zwich project, which began in Year 2008, is still ongoing, the Bank of Ghana has initiated steps to introduce electronic clearing system (i.e. The Code line Cheque Clearing System) in the country. This new system is expected to reduce the clearing cycle from between three-eight working days to one working day.

The Bank of Ghana has also initiated the process which will require banks in Ghana to adopt the Basel II Framework for Capital Measurement and Capital Standards. This framework would ensure that banks maintain adequate capital at all times to absorb the various types of risks inherent in their operations. The Basel II framework is also expected to encourage banks to adopt more robust risk management strategies.

## **4.3 Prudential Bank Limited**

After successfully rolling out its ATMs (branded as Cashwise ATMs) and SMS (Textwise) banking products and participating in the rolling out of the Bank of Ghana's e-zwich project, the Bank is poised to roll out more e-banking products to meet the growing needs of its customers.

The Branch network expansion plans as outlined in the Year 2009 budget will be implemented to make our banking services more accessible to our existing and potential customers. In this regard, it is envisaged that the Bank will open about ten new branches in various parts of the country in Year 2009.

## **5.0 CORPORATE SOCIAL RESPONSIBILITY**

Prudential Bank Limited, as a good corporate citizen, recognizes the positive relationships between being socially responsible and building of its public image. For this reason, the Bank has formally incorporated social responsibility objectives in its decision making process. This ensures that its business operations are conducted in a more socially responsible manner. In addition to discharging its obligations in respect of payment of Corporate Tax, your Bank during the year, continued to discharge its social responsibilities by giving back an amount of GH¢57,052 to the society.

Some of the beneficiaries were:

- West Africa College of Surgeons;
- National Cardiothoracic Centre;
- Aid to Artisans;
- Ghana Export Promotion Council;
- National Farmers Day;
- Best Teachers' Awards ceremonies; and
- Valley View University.

## **6.0 ACKNOWLEDGEMENT**

On behalf of the Board, let me express my sincere appreciation to all our customers for their support and loyalty as well as the Management and Staff of the Bank for their hard work and dedication to the Bank.

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.

I welcome Mr Kwaku Agyei-Gyamfi and Dr A. W. Q. Barnor who were appointed to the Board on the recommendations of the Board members and with the approval of the Bank of Ghana.

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**



**REPORT OF THE DIRECTORS**

The Directors have the pleasure in submitting their twelfth annual report together with the audited consolidated financial statements of the Bank for the year ended 31st December, 2008 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, 2008 are set out in the Profit and Loss Account, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and the Notes to the financial statements from page 11 to 40.

The operations for the year resulted in a net profit after taxation of GH¢4,576,313 (2007: GH¢2,946,435) and GH¢4,393,823 (2007: GH¢2,754,238) for the Group and the Bank respectively. Total assets as at 31st December, 2008 were GH¢282,485,355 (2007: GH¢246,234,578) and GH¢280,979,897 (2007: GH¢243,831,563) for the Group and the Bank respectively.

The Directors are pleased to recommend to members the payment of dividend in the sum of GH¢17,940 to Preference Shareholders for the year ended 31st December, 2008. 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**

**ACCRA**

**DIRECTOR**

**25<sup>TH</sup> MARCH 2009**



## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS.

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

In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies in accordance with International Financial Reporting Standards and to apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements.
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for the preparation of the Financial Statements in accordance with the International Financial Reporting Standards and ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Code 1963 (Act 179). They are also responsible for safeguarding the assets of the company and hence for taking steps for the prevention and detection of fraud and other irregularities, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatements.

The above statement, which should be read in conjunction with the report of the Auditors, is made with the view to distinguishing for shareholders the respective responsibilities of the Directors and the auditors in relation to the financial statements.



## REPORT OF THE AUDITORS

### Report on the Financial Statements

We have audited the accompanying financial statements of Prudential Bank Limited, which comprise the balance sheet as of 31st December 2008, the Profit & Loss Account and cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and explanatory notes.

### Directors' Responsibility for the Financial Statements

Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Companies Code, 1963 (Act 179). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statement that are free of 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 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 the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal controls 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, 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 present fairly, in all material respects, the financial position of Prudential Bank Limited as of 31st December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Code, 1963 (Act 179).



**Report on other Legal and Regulatory 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 company, so far as appears from our examination of these books; and
- iii. The balance sheet, profit and loss and income surplus accounts of the company are in agreement with the books of account.

.....  
**CHARTERED ACCOUNTANTS**

**25<sup>TH</sup> MARCH**

..... **2009**



**GROUP PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2008**

	Note	THE GROUP		THE BANK	
		2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Interest Income	4	34,524,926	25,951,253	34,568,029	25,951,253
Interest Expense	5	(17,237,273)	(11,972,087)	(17,239,094)	(11,974,461)
<b>NET INTEREST INCOME</b>		<b>17,287,653</b>	<b>13,979,166</b>	<b>17,328,935</b>	<b>13,976,792</b>
Commissions and Fees	6	5,561,070	5,211,956	5,575,598	5,225,514
Other Operating Income	7	4,127,694	1,292,210	3,976,278	1,212,766
<b>TOTAL INCOME</b>		<b>26,976,417</b>	<b>20,483,332</b>	<b>26,880,811</b>	<b>20,415,072</b>
Loan Impairment Expense		(596,652)	(1,925,769)	(596,652)	(1,925,769)
Operating Expenses	8	(19,842,439)	(13,546,337)	(19,685,402)	(13,419,677)
<b>NET OPERATING PROFIT</b>		<b>6,537,326</b>	<b>5,011,226</b>	<b>6,598,757</b>	<b>5,069,626</b>
Other Income	10	256,279	258,175	12,358	7,578
<b>PROFIT BEFORE TAX</b>		<b>6,793,605</b>	<b>5,269,401</b>	<b>6,611,115</b>	<b>5,077,204</b>
Provision for Tax	14	(2,217,292)	(2,322,966)	(2,217,292)	(2,322,966)
<b>PROFIT AFTER TAX TRANSFERRED TO INCOME SURPLUS ACCOUNT</b>		<b>4,576,313</b>	<b>2,946,435</b>	<b>4,393,823</b>	<b>2,754,238</b>

**GROUP INCOME SURPLUS ACCOUNT  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2008**

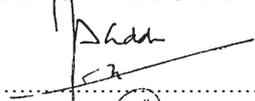
	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Balance at 1st January	749,541	(227,899)	671,887	(113,356)
Net profit from Profit and Loss Account	4,576,313	2,946,435	4,393,823	2,754,238
	<b>5,325,854</b>	<b>2,718,536</b>	<b>5,065,710</b>	<b>2,640,882</b>
Transfer to Statutory Reserve Fund	28	(2,196,912)	(2,196,912)	(1,614,950)
Regulatory Loan Impairment Adjustment	(591,145)	(354,045)	(591,145)	(354,045)
Balance at 31st December	<b>2,537,797</b>	<b>749,541</b>	<b>2,277,653</b>	<b>671,887</b>



**GROUP BALANCE SHEET  
AS AT 31<sup>ST</sup> DECEMBER, 2008**

	Note	THE GROUP		THE BANK	
		2008 GH¢	2007 GH¢	20087 GH¢	2007 GH¢
<b>ASSETS</b>					
Cash and Balances with Bank of Ghana	11	18,974,297	16,990,383	18,974,297	16,990,383
Government Securities	12	26,865,388	34,534,891	26,865,388	34,534,891
Due from other Banks and Financial Inst.	13	57,501,551	61,807,022	57,501,551	61,807,022
Loans and Advances	15	156,796,234	115,059,751	156,896,234	115,159,751
Equity Investments	18	928,975	712,397	530,605	530,605
Other Assets	19	10,424,180	10,949,860	9,249,273	8,666,445
		<b>271,490,625</b>	<b>240,054,304</b>	<b>270,017,348</b>	<b>237,689,097</b>
Property, Plant and Equipment	22	10,994,730	6,180,274	10,962,549	6,142,466
<b>TOTAL ASSETS</b>		<b>282,485,355</b>	<b>246,234,578</b>	<b>280,979,897</b>	<b>243,831,563</b>
<b>LIABILITIES</b>					
Customer Deposits	20	195,206,041	178,892,804	195,287,261	178,964,728
Interest payable and Other liabilities	24	38,847,189	25,562,310	37,520,655	23,165,025
Taxation	14	263,565	65,200	263,565	65,200
Deferred Tax	14	1,516,215	850,324	1,516,215	850,324
Borrowings	25	30,446,540	29,234,448	30,446,540	29,234,448
<b>TOTAL LIABILITIES</b>		<b>266,279,550</b>	<b>234,605,086</b>	<b>265,034,236</b>	<b>232,279,725</b>
<b>SHAREHOLDERS' FUNDS</b>					
Stated Capital	27	7,100,000	7,100,000	7,100,000	7,100,000
Income Surplus Account		2,537,797	749,541	2,277,653	671,887
Regulatory Loan Impairment Reserve		1,970,040	1,378,895	1,970,040	1,378,895
Statutory Reserve Fund	28	4,597,968	2,401,056	4,597,968	2,401,056
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>16,205,805</b>	<b>11,629,492</b>	<b>15,945,661</b>	<b>11,551,838</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>		<b>282,485,355</b>	<b>246,234,578</b>	<b>280,979,897</b>	<b>243,831,563</b>

BY ORDER OF THE BOARD

  
.....)

  
.....)

DIRECTORS

ACCRA

25<sup>TH</sup> MARCH

2009



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2008

Note	THE GROUP		THE BANK	
	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
PROFIT BEFORE TAX	6,793,605	5,269,401	6,611,115	5,077,204
Gain on Investment at FVTPL	(113,052)	(114,250)	–	–
Profit on Sale of Fixed Assets	22(a) (1,500)	14,911	(1,500)	14,911
Amortisation of Pre-operating Expenses	15,606	15,606	–	–
Depreciation and Amortisation	1,767,132	1,264,698	1,749,177	1,248,924
Charge for Loan Impairment	559,675	1,916,369	559,675	1,916,369
Provision for Contingent Liabilities	36,977	9,400	36,977	9,400
	<u>2,264,838</u>	<u>3,106,734</u>	<u>2,344,329</u>	<u>3,189,604</u>
<b>NET CASH INFLOW BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES</b>	<b>9,058,443</b>	<b>8,376,135</b>	<b>8,955,444</b>	<b>8,266,808</b>
Decrease/(Increase) in Government Securities	7,669,503	(16,394,831)	7,669,503	(16,394,831)
(Increase) in Loans & Advances to Customers	(42,333,135)	(26,931,085)	(42,333,138)	(27,031,085)
(Increase)/Decrease in Other Assets	510,073	(8,389,744)	(582,828)	(6,067,011)
Increase in Customer Deposits	16,313,237	74,299,273	16,322,533	74,348,259
Increase/(Decrease) in Interest Payable & Other Liabilities	13,284,879	(628,621)	14,355,630	(3,006,483)
Increase in Borrowings	1,212,092	13,198,210	1,212,092	13,198,210
Corporate Tax Paid	(1,353,034)	(1,500,424)	(1,353,034)	(1,500,424)
	<u>(4,696,385)</u>	<u>33,652,778</u>	<u>(4,709,242)</u>	<u>33,546,635</u>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>4,362,058</b>	<b>42,028,913</b>	<b>4,246,202</b>	<b>41,813,443</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets	(6,581,589)	(3,402,240)	(6,569,259)	(3,399,535)
Sale of Fixed Assets - proceeds	1,500	–	1,500	–
Decrease/(Increase) in Equity Investments	(103,526)	(212,765)	–	–
	<u>(6,683,615)</u>	<u>(3,614,995)</u>	<u>(5,066,259)</u>	<u>(3,399,535)</u>
<b>NET INCREASE(DECREASE) IN CASH &amp; CASH EQUIVALENT</b>	<b>(2,321,557)</b>	<b>38,413,908</b>	<b>(2,321,557)</b>	<b>38,413,908</b>
<b>ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENT</b>				
Balance at 1st January	78,797,405	40,383,497	78,797,405	40,383,497
Net Cash Inflow	(2,321,557)	38,413,908	(2,321,557)	38,413,908
Balance at 31st December	<u>76,475,848</u>	<u>78,797,405</u>	<u>76,475,848</u>	<u>78,797,405</u>
<b>COMPOSITION OF CASH AND CASH EQUIVALENT</b>				
Cash in Hand	8,766,426	6,577,522	8,766,426	6,577,522
Balances with Bank of Ghana	10,207,871	10,412,861	10,207,871	10,412,861
Balances with Foreign Banks	24,555,163	14,145,839	24,555,163	14,145,839
Items in Course of collection	6,890,305	3,811,307	6,890,305	3,811,307
Foreign Cheques Purchased	18,553,010	6,298,612	18,553,010	6,298,612
Money at Short Notice	7,503,073	37,551,264	7,503,073	37,551,264
	<u>76,475,848</u>	<u>78,797,405</u>	<u>76,475,848</u>	<u>78,797,405</u>



## STATEMENT OF CHANGES IN EQUITY

2008	STATED CAPITAL	INCOME SURPLUS	STATUTORY RESERVE	REGULATORY LOAN IMPAIRMENT RESERVE	TOTAL
	GH¢	GH¢	GH¢	GH¢	GH¢
Balance at 1st January	7,100,000	671,887	2,401,056	1,378,895	11,551,838
Net profit for the year	–	4,393,823	–	–	4,393,823
Transfer to Regulatory Impairment Reserve	–	(591,145)	–	591,145	–
Transfer to Statutory Reserve	–	(2,196,912)	2,196,912	–	–
<b>Balance at 31st December</b>	<b>7,100,000</b>	<b>2,277,653</b>	<b>4,597,968</b>	<b>1,970,040</b>	<b>15,945,661</b>
<b>2007</b>	<b>GH¢</b>	<b>GH¢</b>	<b>GH¢</b>	<b>GH¢</b>	<b>GH¢</b>
Balance at 1st January	7,100,000	(113,356)	786,106	1,024,850	8,797,600
Net profit for the year	–	2,754,238	–	–	2,754,238
Transfer to Regulatory Impairment Reserve	–	(354,045)	–	354,045	–
Transfer to Statutory Reserve	–	(1,614,950)	1,614,950	–	–
<b>Balance at 31st December</b>	<b>7,100,000</b>	<b>671,887</b>	<b>2,401,056</b>	<b>1,378,895</b>	<b>11,551,838</b>



## **NOTES TO THE FINANCIAL STATEMENTS**

### **1.0 CORPORATE INFORMATION**

#### **1.1 Nature of Company and Domicile**

Prudential Bank Limited is a limited liability company incorporated in Ghana under the Companies Code, 1963 (Act 179). The company is domiciled in Ghana with its registered office at No 8 Nima Avenue, Kanda, Ring Road Central, Accra.

The Bank is licensed to carry on the business of banking and to provide ancillary services.

The Bank has two wholly-owned subsidiaries, namely PBL Properties Limited and Prudential Securities Limited.

The financial statements of the latter have been consolidated with those of the Bank.

PBL Properties Limited has not been consolidated with the Bank because it is not a financial services provider.

#### **1.2 Compliance with International Financial Reporting Standards (IFRSs)**

The financial statements of the Bank for the year ended 31st December 2008 have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The effect of the transition to IFRSs on the Bank's financial position and financial performance is explained in Note 33.

### **2.0 ACCOUNTING POLICIES**

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

#### **2.1 Basis of Accounting**

The financial statements have been prepared under the historical cost convention as modified by the adoption of fair value measurement basis, in compliance with IFRS requirements, for 'available for sale (AFS)' investments and financial assets and financial liabilities held at fair value through profit or loss (FVTPL).

#### **2.2 Functional and Presentation Currency**

The financial statements are presented in Ghana Cedi (GH¢) which is the functional and presentation currency of the Bank.



## 2.3 Revenue Recognition

Revenue is recognised to the extent that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria apply to revenue recognition.

### 2.3.1 Interest Income and Expense

Interest income and expense are recognised in the income statement for all interest bearing financial instruments including loans and advances as interest accrues using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense. The effective interest rate is the rate that exactly discounts the estimated future cash payments, or receipts over the expected life of the instrument to the net carrying amount of the financial asset or liability.

### 2.3.2 Non-Interest Income

The Bank earns commission and fees from a wide range of services provided to its customers. Fee income is accounted for as follows:

- income earned on performance of discrete services (such as funds transfers, special clearing, transaction negotiation with third parties etc) is recognized as revenue upon completion of the act or service
- income arising from service fees (such as special statement requests, safe custody, commission on turnover, etc) are recognized as the services are provided
- Loan origination fees and similar fees form an integral part of the effective interest rate of a financial instrument and are not shown as part of non-interest income.

### 2.3.3 Income Tax

Income Tax in the Profit and Loss Account comprises current tax and deferred tax.

Current tax is the tax expected to be payable, under the Internal Revenue Act 2000 (Act 592), on the taxable profit for the year.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are generally recognized for all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable future taxable profit will be available against which deductible temporary differences can be utilized. Deferred tax is calculated using the rate expected to be applicable in the period during which the asset will be realized or the liabilities settled.

Deferred tax assets and liabilities are offset when they arise in the same tax reporting entities and relate to income taxes of the same taxation authority, and when a legal right to set off exists.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to the extent that it is no longer probable that sufficient taxable profit will be available for full or partial utilization of the deferred tax asset.

#### 2.3.4 Financial Instruments - Initial Recognition and subsequent Measurement

**a. Date of Recognition**

Purchases and sale of financial assets are recognized on the transaction date.

**b. Initial Recognition of financial instruments**

Financial instruments are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**c. Available for sale assets**

Securities including investments in money market and equity shares, other than those classified as trading securities, or at fair value through profit or loss, are classified as available-for-sale and recognised in the balance sheet at their fair value.

Available for sale financial assets are measured at fair value on the balance sheet, with gains and losses arising from changes in the fair value of investments recognised directly in equity, until the financial asset is either sold, becomes impaired, or matures, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

Interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Bank's right to receive payment is established.

If an available for sale instrument is determined to be impaired, the respective cumulative losses previously recognised in equity are included in the income statement in the period in which the impairment is identified. Impairment losses on available for sale equity instruments are reversed directly through equity and not through income.

**d. Held-to-maturity assets**

Held-to-maturity assets are non-derivative financial instruments with fixed or determinable payments and maturity dates. Financial assets that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity and are measured at amortised cost using the effective interest method, less impairment losses.

**e. Loans and advances**

Loans and advances to customers are accounted for at amortised cost using the effective interest method.

Loans and advances are initially recognised when cash is advanced to the borrowers at fair value, inclusive of transaction costs.

Subsequent to initial recognition, loans and advances to banks and customers are stated on the balance sheet at amortised cost using the effective interest method less impairment losses.

**f. Financial liabilities**

Financial liabilities are classified as non-trading, held for trading or designated as held at fair value through profit and loss. Non-trading liabilities are recorded at amortised cost applying the effective interest method. Held for trading liabilities or liabilities designated as held at fair value through profit and loss, are accounted for as indicated above.

**g. Determination of Fair Value of Financial Instruments**

**i. Availability of active market**

The fair value of a financial instrument traded in active markets such as the Ghana Stock Exchange (GSE) at the balance sheet date is based on their quoted market price without any deduction of transaction costs.

**ii. Non-availability of active market**

Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

**h. Derecognition of financial assets and liabilities**

A financial asset or a portion thereof, is derecognized when the Bank's rights to cash flows has expired or when the Bank has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all the risk and rewards associated with the financial assets or when control over the financial assets has passed.

A financial liability is derecognized when the obligation is discharged, cancelled or has expired.

**2.3.5 Impairment of financial assets**

**a. Framework for measuring impairment of financial assets**

At each balance sheet date the Bank assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, or the fact that the debt is being restructured to reduce the burden on the borrower.

**b. Loans and Advances and amounts due from banks & other financial institutions**

For loans and advances to customers and amounts due from banks and other financial institutions carried at amortised cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, 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 recognized, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an Allowance Account and the amount of the loss is recognized in the income statement.

Loans together with the associated allowances are written off when there is no realistic prospect of future recovery and all collaterals have been utilized or has been transferred to the Bank and all the necessary procedures have been completed. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For the purposes of collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics, such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

**c. Available-for-sale financial assets**

For available-for-sale financial assets, the Bank assesses at each balance sheet date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include significant or prolonged decline in the fair value of the investment below its cost.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

**2.3.6 Regulatory Impairment Reserve**

To cater for any shortfall between the Bank of Ghana's credit loss provision requirements and loans and advances impairments based on IFRS principles, a charge is made to Income Surplus in respect of the difference required to bring up the cumulative provision to the level required under the Bank of Ghana regulations.

**2.3.7 Property, plant and equipment**

The Bank recognizes an item of property, plant and equipment as an asset when it is probable that future economic benefits will flow to it and the amount meets the materiality threshold set by the Bank.

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided on the depreciable amount of each component on a straight-line basis over the anticipated useful life of the asset. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, that the Bank would currently obtain from the disposal of an asset in similar age and condition as expected at the end of the useful life of the asset. No depreciation is provided on land.

The current annual depreciation rates for each class of property, plant and equipment are as follows:

• Land and buildings	–	3%
• Furniture and Fittings	–	20%
• Computer Systems	–	25%
• Branch Development	–	20%
• Generators	–	20%
• Office Equipment	–	20%
• Motor Vehicle	–	20%

Costs associated with routine servicing and maintenance of assets are expensed as incurred. Subsequent expenditure is only capitalized if it is probable that future economic benefits associated with the item will flow to the Bank.

The carrying values of property, plant and equipment are reviewed for indications of impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognized.

Residual values, useful lives and methods of depreciation for property and equipment are reviewed and adjusted if appropriate, at each financial year end.

#### 2.3.8 Intangible Assets- Computer Software

Cost incurred to acquire and bring to use specific computer software licenses are capitalized and amortised on the basis of the expected useful lives using the straight-line method. Maximum useful live ranges between 4 and 5 years.



### 2.3.9 Provisions

The Bank recognizes provisions when it has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

### 2.4.0 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.

### 2.4.1 Post Balance Sheet Events

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

### 2.4.2 Group financial Statements

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



	THE GROUP		THE BANK	
	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
3 <b>Amount spent on fulfilling social responsibility obligations</b>	57,052	66,700	57,052	66,700
4a. <b>INTEREST INCOME</b>				
*Placements, Special Deposit	2,676,414	2,510,632	2,676,414	2,510,632
*Investment Securities	3,896,093	4,815,980	3,896,093	4,815,980
Loans and Advances	<u>27,952,419</u>	<u>18,624,641</u>	<u>27,995,522</u>	<u>18,624,641</u>
	<b><u>34,524,926</u></b>	<b><u>25,951,253</u></b>	<b><u>34,568,029</u></b>	<b><u>25,951,253</u></b>
<b>*NB: All are Held-To-Maturity Investment</b>				
5. <b>INTEREST EXPENSE</b>				
Current Accounts	1,166,260	783,400	1,166,260	783,400
Time and other Deposits	11,413,897	7,771,724	11,415,718	7,774,098
Overnight and Call Accounts	3,895,773	2,797,347	3,895,773	2,797,347
Borrowed Funds	<u>761,343</u>	<u>619,616</u>	<u>761,343</u>	<u>619,616</u>
	<b><u>17,237,373</u></b>	<b><u>11,972,087</u></b>	<b><u>17,239,094</u></b>	<b><u>11,974,461</u></b>
6. <b>COMMISSIONS AND FEES</b>				
Commission on Turnover	980,604	898,183	995,132	911,741
Commission on Transfers/Letters of Credit	1,984,282	1,225,760	1,984,282	1,225,760
Investigating and Processing	1,327,675	1,063,523	1,327,675	1,063,523
Professional Services	81,482	81,716	81,482	81,716
Commission on Guarantees and Indemnities	276,487	147,176	276,487	147,176
Commission on Managed Funds	13,333	16,338	13,333	16,338
Others	<u>897,207</u>	<u>1,779,260</u>	<u>897,207</u>	<u>1,779,260</u>
	<b><u>5,561,070</u></b>	<b><u>5,211,956</u></b>	<b><u>5,575,598</u></b>	<b><u>5,225,514</u></b>



	THE GROUP		THE BANK	
	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
<b>7 OTHER OPERATING INCOME</b>				
Gain on Foreign Exchange	3,753,374	1,156,236	3,753,374	1,156,236
Other Income	169,146	94,283	17,730	14,839
Exchange Revaluation Surplus(net)	205,174	41,691	205,174	41,69
	<b>4,127,694</b>	<b>1,292,210</b>	<b>3,976,278</b>	<b>1,212,766</b>
<b>8 OPERATING EXPENSES</b>				
License & Fees	10,560	5,600	–	–
Staff Costs (Note 9)	5,878,664	3,923,115	5,833,667	3,888,725
Advertising and Marketing	711,335	447,615	699,339	438,338
Administrative Expenses	3,729,970	2,515,889	3,693,961	2,487,151
Training	353,529	231,244	353,529	231,244
Depreciation	1,767,133	1,264,698	1,749,177	1,248,924
Directors' Emoluments	334,856	214,297	334,856	214,297
Auditors' Remuneration	59,024	34,992	55,950	32,458
Motor Vehicle Running Costs	1,151,606	725,467	1,146,302	722,344
Occupancy Cost	4,004,884	3,109,816	3,993,349	3,098,198
Others	1,840,878	1,073,604	1,825,272	1,057,998
	<b>19,842,439</b>	<b>13,546,337</b>	<b>19,685,402</b>	<b>13,419,677</b>
<b>9 Staff Costs</b>				
Wages, Salaries, Bonus, Allowances	4,846,265	3,077,236	4,808,335	3,047,950
Social Security Fund	374,855	258,840	371,495	256,388
Provident fund contributions	360,370	247,304	357,010	244,852
Medical Expenses	291,037	235,987	290,690	235,787
Retirement Benefit	6,137	103,748	6,137	103,748
	<b>5,878,664</b>	<b>3,923,115</b>	<b>5,833,667</b>	<b>3,888,725</b>
The average number of persons employed by the bank during the year was 649 (2007: 535).				
<b>10 OTHER INCOME</b>				
Measurement Gain on Financial Assets at Fair Value				
Through Profit and Loss	113,052	114,250	–	–
Others	143,227	143,925	12,358	7,578
	<b>256,279</b>	<b>258,175</b>	<b>12,358</b>	<b>7,578</b>



	THE GROUP		THE BANK	
	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
<b>11 CASH AND BANK BALANCES WITH BANK OF GHANA</b>				
Cash in Hand	8,766,426	6,577,522	8,766,426	6,577,522
Balances with Bank of Ghana	10,207,871	10,412,861	10,207,871	10,412,861
	<u>18,974,297</u>	<u>16,990,383</u>	<u>18,974,297</u>	<u>16,990,383</u>
<b>12 GOVERNMENT SECURITIES*</b>				
Treasury bills - The Bank	240,787	418,164	240,787	418,164
- Sinking Fund	1,179,420	1,174,500	1,179,420	1,174,500
1 Year Treasury Note	1,291,641	17,960,622	1,291,641	17,960,622
2 Years Rate Investments	24,153,540	14,981,605	24,153,540	14,981,605
	<u>26,865,388</u>	<u>34,534,891</u>	<u>26,865,388</u>	<u>34,534,891</u>
<b>13 DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS</b>				
Nostro Account Balances	24,056,474	13,991,750	24,056,474	13,991,750
Items in course of collection	6,890,305	3,811,307	6,890,305	3,811,307
Overnight Lending	7,503,073	37,551,264	7,503,073	37,551,264
Foreign Time Deposits *	498,689	154,089	498,689	154,089
Foreign cheques purchased	18,553,010	6,298,612	18,553,010	6,298,612
	<u>57,501,551</u>	<u>61,807,022</u>	<u>57,501,551</u>	<u>61,807,022</u>

\*NB: All Held - To - Maturity Investments

\*Held -To-Maturity Investment



14	TAXATION	Year of Assessment	Balance 1-Jan '08 GH¢	payment made during the year GH¢	Charge to P&L Account GH¢	Balance at 31st Dec '08 GH¢
14 (a)	INCOME TAX	2007	68,980	-	-	68,980
		2008	-	(1,353,034)	1,551,389	198,355
			<u>68,980</u>	<u>(1,353,034)</u>	<u>1,551,389</u>	<u>267,335</u>
	(b) NATIONAL RECONSTRUCTION LEVY		(3,770)	-	-	(3,770)
			<u>65,210</u>	<u>(1,353,034)</u>	<u>1,551,389</u>	<u>263,565</u>
	(c) DEFERRED TAX		<u>850,324</u>	<u>-</u>	<u>665,891</u>	<u>1,516,215</u>

The amount provided for Income Tax is subject to agreement with the Internal Revenue Service and is based on the Corporate Tax Rate of 25%.



	THE GROUP		THE BANK	
	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
<b>15 LOANS AND ADVANCES TO CUSTOMERS</b>				
<b>ANALYSIS BY TYPE</b>				
Overdrafts	63,502,085	51,644,783	63,502,085	51,644,783
Term Loans	99,594,420	67,858,971	99,694,420	67,958,971
<b>Gross Loans and Advances</b>	<b>163,096,505</b>	<b>119,503,754</b>	<b>163,196,505</b>	<b>119,603,754</b>
Less: Allowance for Impairment (3,292,158)		(3,526,137)	(3,292,158)	(3,526,137)
Interest in Suspense (1,151,845)		<del>(2,774,134)</del>	<del>(1,151,845)</del>	<del>(2,774,134)</del>
<b>Net Loans and Advances</b>	<b>156,796,234</b>	<b>115,059,751</b>	<b>156,896,234</b>	<b>115,159,751</b>
a. Loans and advances (including credit bills negotiable) to customers and staff.	<b>163,096,505</b>	<b>119,503,754</b>	<b>163,196,505</b>	<b>119,603,754</b>
b. Loan impairment allowance ratio = Accumulated allowance for impairment and Interest in Suspense to Gross Loans.	<b>3.86%</b>	<b>3.72%</b>	<b>3.86%</b>	<b>3.72%</b>
c. Gross non-performing Loans ratio = Aggregate of substandard to Loss Loans per Bank of Ghana Regulations (gross) to total Gross Loans.	<b>3.96%</b>	<b>4.97%</b>	<b>3.96%</b>	<b>4.97%</b>
d. Ratio of 50 largest exposures (funded and non-funded) to total exposures (funded and non-funded).	<b>49.76%</b>	<b>51.94%</b>	<b>49.76%</b>	<b>51.94%</b>
<b>16 ANALYSIS BY TYPE OF CUSTOMER</b>				
Individuals	4,352,571	4,515,767	4,352,571	4,515,767
Other Private Enterprises	149,539,719	108,004,608	149,639,719	108,104,608
Government departments and agencies	4,166,686	667,989	4,166,686	667,989
Public Enterprises	7,864	1,888,965	7,864	1,888,965
Staff	5,029,665	4,426,425	5,029,665	4,426,425
	<b>163,096,505</b>	<b>119,503,754</b>	<b>163,196,505</b>	<b>119,603,754</b>
Less: Allowance for Impairment & Interest in Suspense	(6,300,271)	(4,444,003)	(6,300,271)	(4,444,003)
	<b>156,796,234</b>	<b>115,059,751</b>	<b>156,896,234</b>	<b>115,159,751</b>



	THE GROUP		THE BANK	
	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
<b>17 ANALYSIS BY BUSINESS SEGMENTS</b>				
Agriculture, Forestry & Fishing	1,666,513	3,255,194	1,666,513	3,255,194
Mining and Quarrying	356,687	380,205	356,687	380,205
Manufacturing	21,936,178	17,956,760	21,936,178	17,956,760
Construction	8,573,634	4,579,268	8,573,634	4,579,268
Electricity, Gas and Water	7,296,840	8,288,298	7,296,840	8,288,298
Commerce and Finance	44,333,759	36,449,234	44,433,759	36,549,234
Transport, Storage & Communication	4,185,204	7,149,430	4,185,204	7,149,430
Services	30,454,471	16,343,683	30,454,471	16,343,683
Miscellaneous	44,293,219	25,101,682	44,293,219	25,101,682
	<b>163,096,505</b>	<b>119,503,754</b>	<b>163,196,505</b>	<b>119,603,754</b>
Less: Allowance for Impairment & Interest in Suspense	(6,300,271)	(4,444,003)	(6,300,271)	(4,444,003)
	<b>156,796,234</b>	<b>115,059,751</b>	<b>156,896,234</b>	<b>115,159,751</b>

**Movements in the Banks Allowance for Impairment and Interest in Suspense are as follows:**

**(a) Allowance for Impairment**

At 1st January 2008	3,292,158	1,395,974	3,292,158	1,395,974
Write-off against the Allowance	(18,563)	(833)	(18,563)	(833)
Decrease in Allowance	(372,238)	(186,512)	(372,238)	(186,512)
Increase in Allowance	624,780	2,083,529	624,780	2,083,529
At 31st December 2008	<b>3,526,137</b>	<b>3,292,158</b>	<b>3,526,137</b>	<b>3,292,158</b>

**(b) Interest in Suspense**

At 1st January 2008	1,151,845	469,828	1,151,845	469,828
Recoveries	(717,577)	(4,667)	(717,577)	(4,667)
Increase in Allowance	2,339,866	686,684	2,339,866	686,684
At 31st December, 2008	<b>2,774,134</b>	<b>1,151,845</b>	<b>2,774,134</b>	<b>1,151,845</b>
<b>TOTAL</b>	<b>6,300,271</b>	<b>4,444,003</b>	<b>6,300,271</b>	<b>4,444,003</b>



	THE GROUP		THE BANK	
	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
<b>18(a.) EQUITY INVESTMENTS</b>				
<b>Name of Company</b>	<b>Issued Shares Held</b>			
PBL Properties Ltd.	100%	100,000	100,000	100,000
Prudential Securities Ltd.	100%	–	242,662	242,662
Metro Mass Transit	1.81%	97,821	97,821	97,821
Other Equities		641,032	–	–
Airport West Hospitality Ltd.	5.8%	90,122	90,122	90,122
		<b>928,975</b>	<b>712,397</b>	<b>530,605</b>
				<b>530,605</b>
<b>18(b.) ANALYSIS BY TYPE OF FINANCIAL ASSET</b>				
Available-For-Sale		287,943	287,943	530,605
Fair Value Through Profit or Loss		641,032	424,454	–
		<b>928,975</b>	<b>712,397</b>	<b>530,605</b>
				<b>530,605</b>
<b>19. OTHER ASSETS</b>				
Accounts Receivable and Prepayments		4,482,493	5,019,659	3,166,415
Sundry(Deferred and cashiers account)		–	1,477,498	–
Stationery		321,690	191,403	321,690
Deferred Staff Loan Asset		754,677	737,106	754,677
Fees Receivable		61,750	34,916	–
Contra Items		4,800,125	2,670,955	4,800,125
Prudential Securities		–	–	206,366
Pre-Incorporation		–	15,606	–
Others		3,445	802,717	–
		<b>10,424,180</b>	<b>10,949,860</b>	<b>9,249,273</b>
				<b>8,666,445</b>
<b>20 CUSTOMER DEPOSITS</b>				
Current Account		84,421,862	89,862,549	84,501,373
Time Deposits		79,653,795	63,733,305	79,655,504
Savings Deposits		31,130,384	25,296,950	31,130,384
		<b>195,206,041</b>	<b>178,892,804</b>	<b>195,287,261</b>
				<b>178,964,728</b>
<b>21. ANALYSIS BY TYPE OF DEPOSITORS</b>				
Individual and Other Private Enterprises		189,565,842	175,641,344	189,647,062
Government Department & Agencies		4,899,510	1,015,242	4,899,510
Public Enterprises		740,689	2,236,218	740,689
		<b>195,206,041</b>	<b>178,892,804</b>	<b>195,287,261</b>
				<b>178,964,728</b>

The ratio of twenty largest depositors to total deposits: 36% (2007 :33%).

## 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¢
<b>COST</b>									
At 1st January, 2008	343,695	143,958	1,886,503	791,528	1,067,231	2,991,077	740,229	1,904,234	9,868,455
Additions during the year	142,569	506,224	704,324	605,525	2,540,450	1,381,620	-	762,798	6,643,510
Disposals and Transfers	-	-	(3,727)	-	-	-	(61,922)	-	(65,649)
At 31st December, 2008	<u>486,264</u>	<u>650,182</u>	<u>2,587,100</u>	<u>1,397,053</u>	<u>3,607,681</u>	<u>4,372,697</u>	<u>678,307</u>	<u>2,667,032</u>	<u>16,446,316</u>
<b>DEPRECIATION</b>									
At 1st January, 2008	161,228	58,089	1,090,231	568,586	530,720	1,279,327	-	-	3,688,181
Charge for the year	58,625	66,364	355,290	62,220	353,959	824,215	-	46,459	1,767,132
Released on Disposals	-	-	(3,727)	-	-	-	-	-	(3,727)
At 31st December, 2008	<u>219,853</u>	<u>124,453</u>	<u>1,441,794</u>	<u>630,806</u>	<u>884,679</u>	<u>2,103,542</u>	<u>-</u>	<u>46,459</u>	<u>5,451,586</u>
<b>NET BOOK VALUE</b>									
At 31st December, 2008	<u>266,411</u>	<u>525,729</u>	<u>1,145,306</u>	<u>766,247</u>	<u>2,723,002</u>	<u>2,269,155</u>	<u>678,307</u>	<u>2,620,573</u>	<u>10,994,730</u>
At 31st December, 2007	<u>182,467</u>	<u>85,869</u>	<u>796,272</u>	<u>222,942</u>	<u>536,511</u>	<u>1,711,750</u>	<u>740,229</u>	<u>1,904,234</u>	<u>6,180,274</u>
<b>PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>									
	<b>2008</b>	<b>2007</b>							
	<b>GH¢</b>	<b>GH¢</b>							
Gross Book Value	3,727	40,670							
Accumulated Depreciation	3,727	25,760							
Net Book Value	-	14,910							
Sales Proceeds	1,500	-							
Net Profit(Loss)	<u>1,500</u>	<u>(14,910)</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¢
<b>COST</b>									
At 1st January, 2008	343,695	143,958	1,858,806	782,411	1,062,831	2,958,923	740,229	1,904,234	9,795,087
Additions during the year	142,569	506,224	704,324	605,526	2,537,570	1,372,170	-	762,798	6,631,181
Disposals and Transfers	-	-	(3,727)	-	-	-	(61,922)	-	(65,649)
At 31st December, 2008	486,264	650,182	2,559,403	1,387,937	3,600,401	4,331,093	678,307	2,667,032	16,360,619
<b>DEPRECIATION</b>									
At 1st January, 2008	161,228	58,089	1,077,305	564,233	528,766	1,263,000	-	-	3,652,621
Charge for the year	58,625	66,364	349,750	60,397	352,585	814,996	-	46,459	1,749,176
Released on Disposals	-	-	(3,727)	-	-	-	-	-	(3,727)
At 31st December, 2008	219,853	124,453	1,423,328	624,630	881,351	2,077,996	-	46,459	5,398,070
<b>NET BOOK VALUE</b>									
At 31st December, 2008	266,411	525,729	1,136,075	763,307	2,719,050	2,253,097	678,307	2,620,573	10,962,549
At 31st December, 2007	182,467	85,869	781,501	218,178	534,065	1,695,923	740,229	1,904,234	6,142,466
<b>PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>									
	2008 GH¢	2007 GH¢							
Gross Book Value	3,727	40,670							
Accumulated Depreciation	3,727	25,760							
Net Book Value	-	14,910							
Sales Proceeds	1,500	-							
Net Profit(Loss)	1,500	(14,910)							



	THE GROUP		THE BANK	
	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
<b>23 MANAGED FUNDS</b>				
TIP/MOF Fund for NTE'S	2,169,821	2,021,800	2,169,821	2,021,796
DANIDA Capital Fund for SMEs	179,597	172,010	179,597	172,013
MOWAC/JAPANESE FUND	667,449	599,840	667,449	599,842
GTZ/SMEP Fund	61,848	61,850	61,848	61,848
	<b>3,078,715</b>	<b>2,855,500</b>	<b>3,078,715</b>	<b>2,855,499</b>
<b>a. TIP/MOF Fund</b>				
	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>b. Danida Capital Fund</b>				
	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.			
<b>c. GTZ/SMEP Fund</b>				
	This is a fund set up by the Government of Ghana and Germany to provide credit to small and micro enterprises.			
<b>d. MOWAC/Japanese Fund</b>				
	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.			
<b>24 INTEREST PAYABLE AND OTHER LIABILITIES</b>				
TIP/MOF Fund	151,591	149,238	151,591	149,238
DANIDA Fund	32,010	27,782	32,010	27,782
Margins on Letters of Credits	15,632,587	1,796,068	15,632,587	1,796,068
Payment Order & Bankers Payment	2,687,524	3,232,327	2,687,524	3,232,327
Others	20,343,477	20,356,895	19,016,943	17,959,610
	<b>38,847,189</b>	<b>25,562,310</b>	<b>37,520,655</b>	<b>23,165,025</b>



	THE GROUP		THE BANK	
	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
<b>25 BORROWINGS</b>				
EDIF	1,623,704	1,912,087	1,623,704	1,912,087
Redeemable Preference Shares	97,940	91,636	97,940	91,636
SSNIT Export Finance Loans	3,250,820	3,173,306	3,250,820	3,173,306
Repurchase Agreements	23,514,574	23,175,419	23,514,574	23,175,419
Export Finance Bonds	882,000	882,000	882,000	882,000
Subordinated Term Loan	1,077,502	–	1,077,502	–
	<b>30,446,540</b>	<b>29,234,448</b>	<b>30,446,540</b>	<b>29,234,448</b>
<b>26 CONTINGENCIES AND COMMITMENTS</b>				
<p>The Bank entered into various commitments in the normal course of its banking business which are not reflected in the accompanying balance sheet.</p> <p>These commitments are shown below:</p>				
Guarantees and Indemnities	8,921,249	5,224,110	8,921,249	5,224,108
Documentary Credits	4,469,141	4,217,790	4,469,141	4,217,790
	<b>13,390,390</b>	<b>9,441,900</b>	<b>13,390,390</b>	<b>9,441,898</b>



**27 STATED CAPITAL**

**AUTHORISED**

Number of Shares of no par value **ORDINARY**  
100,000,000

<b>ORDINARY</b>	<b>Number</b>	<b>2008 ORDINARY GH¢</b>	<b>Number</b>	<b>2007 GH¢</b>
<b>a ISSUED AND FULLY PAID</b>				
For cash	11,925,000	119,250	11,925,000	119,250
For Consideration Other than Cash 3,075,000	30,750	3,075,000	30,750	
Transfer from Income Surplus Account	34,150,000	6,950,000	34,150,000	6,950,000
	<u>49,150,000</u>	<u>7,100,000</u>	<u>49,150,000</u>	<u>7,100,000</u>

There is no share in treasury and no call or instalments 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.

**28 STATUTORY RESERVE FUND**

	<b>2008 GH¢</b>	<b>2007 GH¢</b>
At 1st January	2,401,056	786,106
Transfer from Income Surplus Account	2,196,912	1,614,950
At 31st December	<u>4,597,968</u>	<u>2,401,056</u>

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



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

<b>ASSETS</b>	<b>TOTAL GH¢</b>	<b>US DOLLAR GH¢</b>	<b>BRITISH POUND GH¢</b>	<b>EURO GH¢</b>	<b>OTHERS GH¢</b>
Cash and Balances with Bank of Ghana	5,524,563	2,607,923	1,421,043	1,495,597	–
Government Securities	–	–	–	–	–
Due from other Banks & Financial Institutions	42,963,027	13,105,126	2,518,171	27,339,730	–
Investment in other Securities	–	–	–	–	–
Loans and Advances to Customers	30,039,540	29,442,558	32,721	564,261	–
Investment in Subsidiary	–	–	–	–	–
Other Assets	145,145	3,292	–	141,853	–
Property, Plant and Equipment	–	–	–	–	–
Tax	–	–	–	–	–
<b>TOTAL ASSETS</b>	<b>78,672,275</b>	<b>45,158,899</b>	<b>3,971,935</b>	<b>29,541,441</b>	<b>–</b>
<b>LIABILITIES</b>					
Due to Customers	66,639,488	41,538,436	3,894,015	21,207,037	–
Due to Bank of Ghana	–	–	–	–	–
Due to other Banks and Financial Institutions	–	–	–	–	–
Borrowed Funds	–	–	–	–	–
Other Liabilities	14,972,229	3,651,440	690,504	10,630,285	–
<b>TOTAL LIABILITIES</b>	<b>81,611,717</b>	<b>45,189,876</b>	<b>4,584,519</b>	<b>31,837,322</b>	<b>–</b>
<b>NET ON BALANCE SHEET POSITION</b>	<b>(2,939,442)</b>	<b>(30,977)</b>	<b>(612,584)</b>	<b>(2,295,881)</b>	<b>–</b>
Off Balance Sheet Credit Commitments					
Letters of Credit	4,407,571	4,407,571	–	–	–
Bonds & Guarantees	5,243,949	2,595,215	–	–	2,648,734
	<b>9,651,520</b>	<b>7,002,786</b>	<b>–</b>	<b>–</b>	<b>2,648,734</b>
<b>At 31st December, 2007</b>					
Total Assets	49,643,207	30,100,603	4,283,935	15,258,669	–
Total Liabilities	52,579,490	30,399,544	5,099,350	17,080,596	–
Net on Balance Sheet position	(2,936,283)	(298,941)	(815,415)	(1,821,927)	–
Off Balance Sheet Credit Commitments					
Letters of Credit	4,056,746	3,794,584	30,376	231,786	–
Bonds & Guarantees	3,092,348	2,715,329	–	375,295	1,724
	<b>7,149,094</b>	<b>6,509,913</b>	<b>30,376</b>	<b>607,081</b>	<b>1,724</b>



## 30(a) MATURITY ANALYSIS OF ASSETS AND LIABILITIES (IN MONTHS) - GROUP

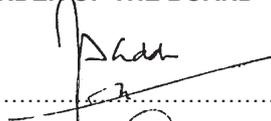
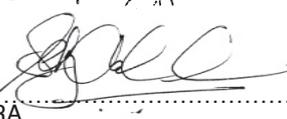
	TOTAL GH¢	0-3 GH¢	3-6 GH¢	6-12 GH¢	Over 12 GH¢
<b>ASSETS</b>					
Cash and Balances with Bank of Ghana	18,974,297	18,974,297	–	–	–
Government Securities	26,865,388	2,482,934	496,765	13,875,076	10,010,613
Due from other Banks and Financial Institutions	57,501,551	46,456,262	11,045,289	–	–
Loans and Advances to Customers	156,796,234	55,398,283	22,173,573	39,738,067	39,486,311
Taxation	–	–	–	–	–
Investment in Subsidiary/ Other companies	928,975	–	–	–	928,975
Other Assets	10,424,180	1,708,984	5,542,217	1,197,145	1,975,834
Property, Plant and Equipment	10,994,730	761,396	1,740,334	1,064,550	7,428,450
<b>TOTAL ASSETS</b>	<b>282,485,355</b>	<b>125,782,156</b>	<b>40,998,178</b>	<b>55,874,838</b>	<b>59,830,183</b>
<b>LIABILITIES</b>					
Due to Customers	195,206,041	48,663,896	24,056,308	33,513,100	88,972,737
Due to Bank of Ghana	–	–	–	–	–
Due to other Banks and Financial Institutions	–	–	–	–	–
Managed Funds	–	–	–	–	–
Borrowed Funds	30,446,540	–	–	20,881,774	9,564,766
Other Liabilities	38,847,189	8,962,176	13,112,050	4,945,202	11,827,761
Taxation	263,565	168,742	–	–	–
Deferred Tax	1,516,215	–	–	–	1,516,215
<b>TOTAL LIABILITIES</b>	<b>266,279,550</b>	<b>57,794,814</b>	<b>37,168,358</b>	<b>59,340,076</b>	<b>111,881,479</b>
<b>NET LIQUIDITY GAP</b>	<b>16,205,805</b>	<b>67,987,342</b>	<b>3,829,820</b>	<b>(3,465,238)</b>	<b>(52,051,296)</b>
<b>At 31st December, 2007</b>					
Total Assets	244,673,310	126,617,210	29,418,920	31,702,790	56,934,390
Total Liabilities	233,401,060	72,787,310	27,845,620	57,252,690	75,515,440
<b>NET LIQUIDITY GAP</b>	<b>11,272,250</b>	<b>53,829,900</b>	<b>1,573,300</b>	<b>(25,549,900)</b>	<b>(18,581,050)</b>



## 30(b) MATURITY ANALYSIS OF ASSETS AND LIABILITIES (IN MONTHS)-BANK

	TOTAL GH¢	0-3 GH¢	3-6 GH¢	6-12 GH¢	Over 12 GH¢
<b>ASSETS</b>					
Cash and Balances with Bank of Ghana	18,974,297	18,974,297	-	-	-
Government Securities	26,865,388	2,482,934	496,765	13,875,076	10,010,613
Due from other Banks and Financial Institutions	57,501,551	46,456,262	11,045,289	-	-
Loans and Advances to Customers	156,896,234	55,398,283	22,173,573	39,838,067	39,486,311
Taxation	-	-	-	-	-
Investment in Subsidiary/ Other companies	530,605	-	-	-	530,605
Other Assets	9,249,273	1,708,984	4,542,217	1,197,145	1,800,927
Property, Plant and Equipment	10,962,549	761,396	1,740,334	1,064,550	7,396,269
<b>TOTAL ASSETS</b>	<b>280,979,897</b>	<b>125,782,156</b>	<b>39,998,178</b>	<b>55,974,838</b>	<b>59,224,72</b>
<b>LIABILITIES</b>					
Due to Customers	195,287,261	48,663,896	24,056,308	33,513,100	89,053,957
Due to Bank of Ghana	-	-	-	-	-
Due to other Banks and Financial Institutions	-	-	-	-	-
Managed Funds	-	-	-	-	-
Borrowed Funds	30,446,540	-	-	20,881,774	9,564,766
Other Liabilities	37,520,655	8,962,176	13,112,050	3,618,668	11,827,761
Taxation	263,565	168,742	-	-	-
Deferred Tax	1,516,215	-	-	-	1,516,215
<b>TOTAL LIABILITIES</b>	<b>265,034,236</b>	<b>57,794,814</b>	<b>37,168,358</b>	<b>58,013,542</b>	<b>111,962,699</b>
<b>NET LIQUIDITY GAP</b>	<b>15,945,661</b>	<b>67,987,342</b>	<b>2,829,820</b>	<b>(2,038,704)</b>	<b>(52,737,974)</b>
At 31st December, 2007					
Total Assets	243,831,563	126,617,210	29,418,920	31,664,980	56,130,453
Total Liabilities	232,279,725	72,787,310	27,845,620	57,252,690	74,394,105
<b>NET LIQUIDITY GAP</b>	<b>11,551,838</b>	<b>53,829,900</b>	<b>1,573,300</b>	<b>(25,587,710)</b>	<b>(18,263,652)</b>

BY ORDER OF THE BOARD

DIRECTORS

ACCRA

25<sup>TH</sup> MARCH 2009

## **31.0 FINANCIAL INSTRUMENTS RISK MANAGEMENT**

The nature of the Bank's operations as a financial intermediary exposes it to various types of risks. These risks are credit, market, liquidity and operational.

### **31.1 Credit Risk**

Credit Risk arises from the potential that a borrower or counter-party is either unwilling to perform on an obligation or its ability to perform such obligation is impaired resulting in economic loss to the Bank.

The principal sources of credit risk inherent in the Bank's operations arise from loans and advances to customers as well as off balance sheet activities such as guarantees, undertakings and Letters of credit.

The Bank manages these risks through well structured systems and controls that ensure that at various stages of the credit delivery processes, relevant committees meet to take appropriate actions for implementation.

### **31.2 Market Risk**

Market risk is the potential of losses arising from movements in market prices such as interest rates, exchange rates, equity and commodity prices. Presently, PBL's activities expose it to interest rate and exchange rate risks with no exposure to equity or commodity price risks. The interest rate and exchange rate risks are inherent in the Bank's financial assets and liabilities such as loans, customer deposits, borrowings, securities and forex trading activities.

The Asset and Liability Committee (ALCO) and the Treasury Committee are responsible for the management of the Bank's market risk. The primary responsibility for the daily monitoring and management of the market risk is however, delegated to the Treasury and International Banking Departments.

### **31.3 Liquidity Risk**

Liquidity risk is the potential loss to the Bank arising from either its inability to meet its maturing short term obligations as they fall due or to fund increases in assets without incurring unacceptable costs. The management of this risk enables the Bank to minimise the mismatch in the timing of cash flows relating to its assets and liabilities to ensure that it regularly maintains the primary reserve requirement of 9% of total deposits as required by Bank of Ghana.

The Treasury Committee and the Treasury Department of the Bank are responsible for managing the Bank's liquidity.

### **31.4 Operational Risk**

Operational risk is the potential for loss from failed systems and processes, staff incompetence and misconduct and uncontrolled external events. These risks are monitored and controlled in the Bank through well designed operating manuals that reflect the main operating procedures, business continuity planning, reconciliations, internal audit and timely and reliable management reporting.



## 32.0 CAPITAL

### 32.1 The Objectives of Capital Management

The primary objective of capital management in the Bank is to ensure that:-

- it complies with the minimum stated capital requirement of Bank of Ghana
- it complies with the regulatory capital requirement that enables it to meet the minimum Capital Adequacy Ratio requirements of Bank of Ghana
- its operations would assure it of increasing level of profitability and shareholder value

The achievement of the above objectives is monitored through regular reports on the performance of the Bank and prudential returns submitted to Bank of Ghana regularly.

### 32.2 Capital Description

The Bank's Capital is its Shareholders' funds comprising Stated Capital, Statutory Reserves and Income Surplus, which includes current and previous year's retained earnings. The current level of the Bank's capital complies with the existing minimum stated capital requirement of Bank of Ghana.

### 32.3 The Level of Capital Adequacy

	2008 GH¢	2007 GH¢
Paid-up Capital	7,100,000	7,100,000
Disclosed Reserves	8,845,661	4,451,838
<b>Sub-Total</b>	<b>15,945,661</b>	<b>11,551,838</b>
Investments in Undisclosed Subsidiaries	(100,000)	(100,000)
Tier 1 Capital	15,845,661	11,451,838
Tier 2 Capital (Subordinated Term Debt)	4,999,940	3,973,640
<b>Regulatory Capital</b>	<b>20,845,601</b>	<b>15,425,478</b>
Required Regulatory Capital	(18,542,687)	(15,014,466)
<b>Surplus/(Deficit) Capital</b>	<b>2,302,914</b>	<b>411,012</b>

The Bank's regulatory capital was above the required minimum throughout the period.

### 32.4 Compliance Status of New Capital Requirement

Under the new minimum capital requirement of GH¢60 million for banks in Ghana, by the end of 2012, banks with local ownership are expected to have a minimum capital of GH¢25 million by the end of 2010. As a local bank, PBL would be able to meet GH¢25 million requirement at the end of 2010.



## 33(a) RECONCILIATION OF EQUITY AS PREVIOUSLY REPORTED &amp; AS REPORTED UNDER IFRS

(a)	THE GROUP		THE BANK	
	2007 GH¢	2006 GH¢	2007 GH¢	2006 GH¢
<b>Stated Capital &amp; Other Reserves</b>				
Balance at 31st December	9,581,056	7,966,100	9,581,056	7,966,100
Transfer of Regulatory Loan Impairment adjustment from Loan Impairment allowance account	1,024,850	1,024,850	1,024,850	1,024,850
Transfer from Loan Impairment Allowance (2007)	354,045	-	354,045	-
Reclassification of Preference Shares as Borrowing	(80,000)	(80,000)	(80,000)	(80,000)
Balance at 31st December under IFRS	10,879,951	8,910,950	10,879,951	8,910,950
<b>(b) Income Surplus</b>				
Balance at 31st December	1,691,375	10,233	1,733,403	130,208
Difference between amortised cost of loans & book balances	(59,339)	460,053	(59,339)	460,053
Reversal of Facility Fees	(185,147)	(152,035)	(185,147)	(152,035)
Deferred Taxes previously unrecorded	(527,866)	(322,458)	(527,866)	(322,458)
Provision for accumulated leave	(45,600)	(229,124)	(45,600)	(229,124)
Gain on investment at FVTPL	114,250	5,432	-	-
2006 Adjustments	(238,132)	-	(243,564)	-
Balance at 31st December under IFRS	749,541	(227,899)	671,887	(113,356)
<b>Total Balance at 31st December under IFRS (1+2)</b>	<b>11,629,492</b>	<b>8,683,051</b>	<b>11,551,838</b>	<b>8,797,594</b>

**33(b) RECONCILIATION OF PROFIT OR LOSS FOR 2007 AS PREVIOUSLY REPORTED AND AS REPORTED UNDER IFRS**

	<b>THE GROUP</b>	<b>THE BANK</b>
	<b>2007</b>	<b>2007</b>
	<b>GH¢</b>	<b>GH¢</b>
<b>Net Profit as previously reported</b>	3,307,728	3,229,781
Difference between amortised cost & book balance of loans	(59,339)	(59,339)
Facility fees reversed	(185,147)	(185,147)
Deferred Taxes not previously recognised	(527,866)	(527,866)
Provision for accumulated leave	(45,600)	(45,600)
Reversal of impairment allowance now treated in Equity	354,045	354,045
Preference Dividend reclassified as interest on borrowing	(11,636)	(11,636)
Measurement Gain on Investment at FVTPL	114,250	–
<b>Net Profit Restated Under IFRS</b>	<b>2,946,435</b>	<b>2,754,238</b>



## 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

### KUMASI BRANCH

Cocobod Jubilee House  
Adum, Kumasi  
Tel.: 233-51-25667, 26210, 45426, 45427  
Fax: 23-51-25917

### 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 Concrete Works)  
Accra-Winneba Road, Accra  
Tel.: 233-21-853494/5  
Fax: 233-21853496

### TEMA FISHING HARBOUR BRANCH

Hillpok Yard  
Tel. Nos. 233-22-207352/3  
Fax No. 233-22 207357

### ZONGO JUNCTION BRANCH

Oblogo Road, Opposite the Total  
Filling Station, Link Road  
Tel Nos. 233-21-678819/24  
Fax No. 233-21-678830

### TESANO BRANCH

Nsawam Road, Tesano  
Near Tesano Police Station  
Tel Nos. 233-21-258170-2, 258174  
Fax No. 233-21-258173

### ODORKOR BRANCH

Off Accra-Winneba Road  
Odorkor Traffic Light  
Tel Nos. 233-21-311710, 311712, 311716  
Fax No. 233-21-311716

### TAKORADI HARBOUR BRANCH

Takoradi Fishing Harbour  
Harbour Area  
Tel Nos. 233-31-21300, 21909, 21616, 31317  
Fax No. 233-31-31371

### AFFUL NKWANTA BRANCH

Near Kumasi Children's Park  
Tel No. 051 49450, 49451, 49452  
Fax No. 051 49455

### GICEL BRANCH

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

### INTERNATIONAL BANKING DEPT.

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

### KAAS AGENCY

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

### VALLEY VIEW AGENCY

Valley View University Campus  
Oyibi  
Tel No. 233-27-7759333  
Fax No. 233-27-7900090

**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  
10 OLD BROAD STREET  
1ST FLOOR  
LONDON, EC2N 1DW  
UNITED KINGDOM

BANK OF BEIRUT (UK) LIMITED  
17A CURZON STREET  
LONDON W1J 5HS  
UNITED KINGDOM



## NOTICE OF ANNUAL GENERAL MEETING

We are pleased to give you notice of, and invite you to the Twelfth Annual General Meeting of Prudential Bank Limited to be held at the Boardroom of the Head Office, Ring Road Central, Accra, on Wednesday, 25th March, 2009, at 12.30 p.m 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, 2008.
3. To receive and consider the Auditors' Report for the financial year of 2008.
4. To receive, consider and approve the Annual Accounts for year 2008 financial year.
5. To declare dividend for 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.

Dated this 9th day of March, 2009.

**By Order of the Board**

**OSEI YAW OSAFO  
BOARD 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.





