Our Cape Coast Branch of the Bank located in Palm House, Cape Coast, Commercial Street.

Board Member Mr. Kwaku Agyei-Gyamfi cuts the tape to officially open the Cape Coast Branch while the Managing Director, Mr. Stephen Sekyere-Abankwa looks on.

CONTENTS

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.

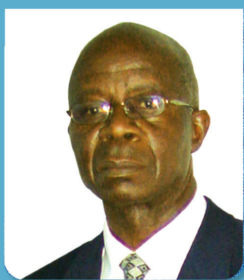
CORPORATE INFORMATION

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.
2nd 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
Fax: 233-21-781210
E-mail: headoffice@prudentialbank.com.gh

PRUDENTIAL BANK LTD.

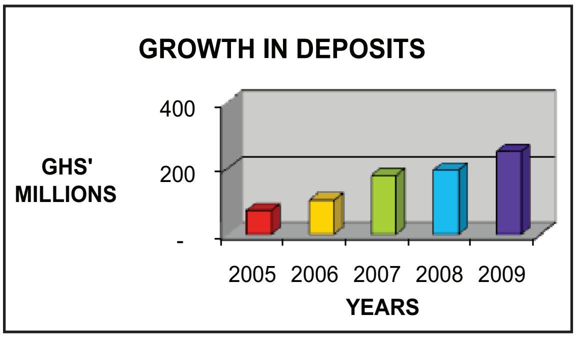
Staff and guests interact in the banking hall after the opening of the Zongo Junction Branch.

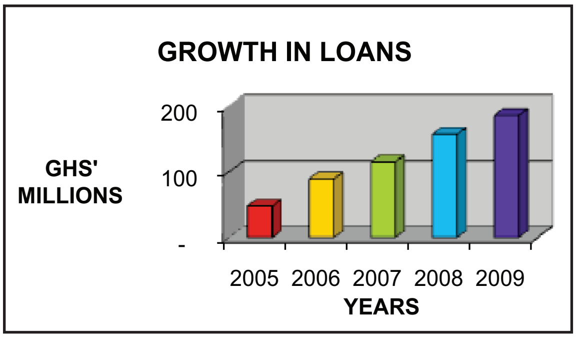
Representative of Chief Imam of Sabon Zongo makes remarks at the inauguration of the Zongo Junction Branch.

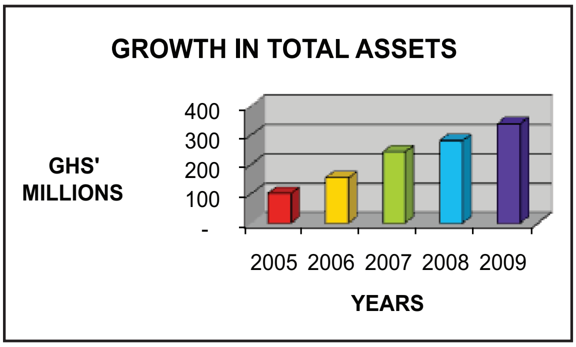
Mr. J.S. Addo, Board Chairman of the Bank cuts tape to officially outdoor the Zongo Junction Branch.

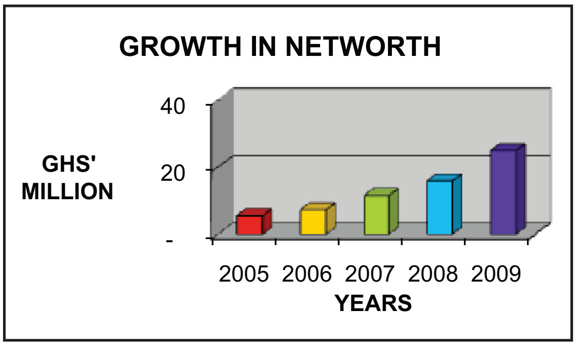
A staff member attends to a customer as she opens an account.

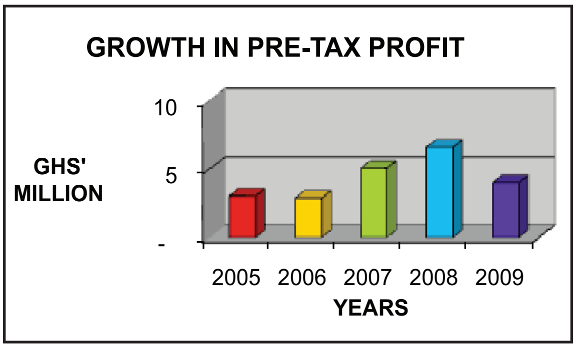
PERFORMANCE AT A GLANCE

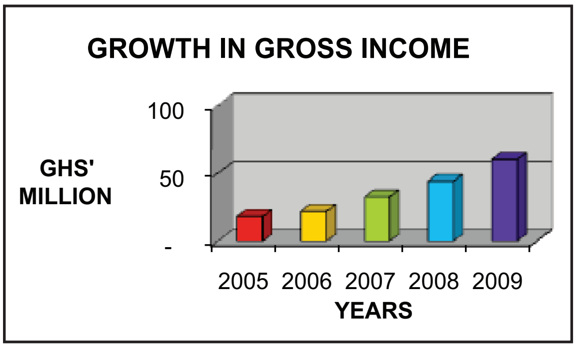


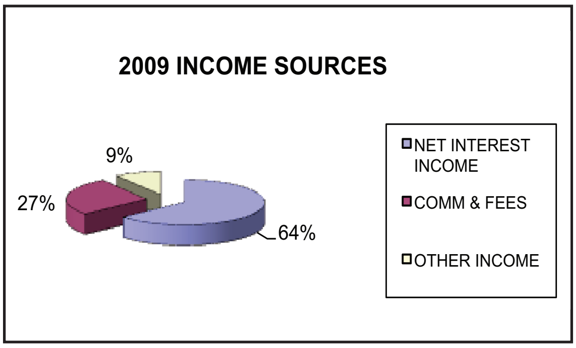


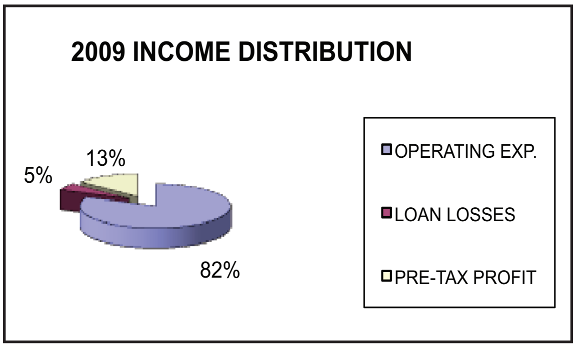












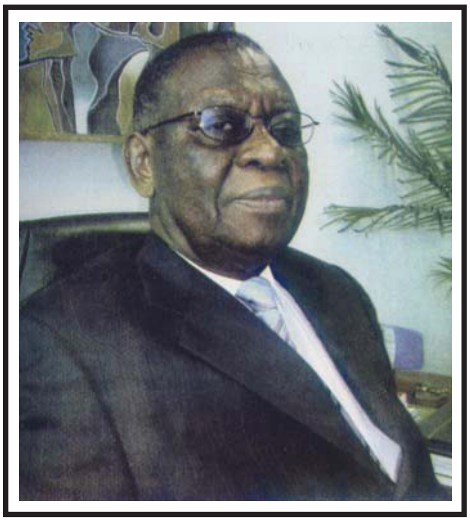
SUMMARY OF PERFORMANCE FROM 2005 - 2009

	2009 GHS	2008 GHS	2007 GHS	2006 GHS	2005 GHS
PROFIT AND LOSS ACCOUNT					
Interest Income	49,137,352	34,568,029	25,951,253	17,537,900	14,039,000
Interest Expense	(30,032,288)	(17,239,094)	(11,974,461)	(6,988,700)	(6,347,300)
NET INTEREST INCOME	**19,105,064**	**17,328,935**	**13,976,792**	**10,549,200**	**7,691,700**
Commissions and Fees	8,101,761	5,575,598	5,225,514	3,862,800	3,360,800
Other Operating Income	2,760,835	3,988,636	1,220,344	629,400	705,500
TOTAL INCOME	**29,967,660**	**26,893,169**	**20,422,650**	**15,041,400**	**11,758,000**
Operating Expenses	(24,439,342)	(19,685,402)	(13,419,677)	(11,291,100)	(7,915,100)
Charge for bad & doubtful debts	(1,498,555)	(596,652)	(1,925,769)	(866,700)	(807,800)
PROFIT BEFORE TAX	**4,029,763**	**6,611,115**	**5,077,204**	**2,883,600**	**3,035,100**
Taxation	(593,956)	(2,217,292)	(2,322,966)	(1,152,900)	(734,400)
NET PROFIT AFTER TAX	**3,435,807**	**4,393,823**	**2,754,238**	**1,730,700**	**2,300,700**
INCOME SURPLUS ACCOUNT					
Balance at 1st January	2,277,653	671,887	(113,356)	11,300	796,900
Retained Profit	3,435,807	4,393,823	2,754,238	1,730,700	2,300,700
	5,713,460	5,065,710	2,640,882	1,742,000	3,097,600
Prior Year Adjustment	-	-	-	(243,456)	(709,000)
Transfer to Statutory Reserve Fund	(858,952)	(2,196,912)	(1,614,950)	(600,000)	(575,200)
Proposed Dividend	-	-	-	(11,900)	(16,100)
Regulatory Loan Impairment Reserve	1,605,312	(591,145)	(354,045)	-	304,000
Transfer to Stated Capital	-	-	-	(1,000,000)	(2,090,000)
Balance at 31st December	**6,459,820**	**2,277,653**	**671,887**	**(113,356)**	**11,300**

BALANCE SHEET

	2009 GHS	2008 GHS	2007 GHS	2006 GHS	2005 GHS
ASSETS					
Cash and Balances with Bank of Ghana	30,377,284	18,974,297	16,990,383	12,896,000	4,493,800
Government Securities	33,931,842	26,865,388	34,534,891	17,639,600	32,110,600
Due from other Banks and Financial Inst.	59,493,141	57,501,551	61,807,022	27,451,000	10,928,600
Loans and to Advances Customers	185,561,388	156,896,234	115,159,751	89,228,000	48,449,700
Investments in Subsidiaries	6,030,605	530,605	530,605	530,600	387,900
Other Assets	9,324,495	9,249,273	8,666,445	2,629,800	2,372,100
Taxation	273,601	-	-	229,500	332,200
	324,992,356	270,017,348	237,689,097	150,604,500	99,074,900
Property, Plant and Equipment	14,864,206	10,962,549	6,142,466	4,006,800	2,870,900
Establishment and Pre-operating Expenditure	-	-	-	-	-
TOTAL ASSETS	**339,856,562**	**280,979,897**	**243,831,563**	**154,611,300**	**101,945,800**
LIABILITIES AND SHAREHOLDERS' FUND					
Deposits and Current Accounts	251,275,920	195,287,261	178,964,728	104,359,900	72,356,100
Interest payable and Other liabilities	17,545,419	37,520,655	23,165,025	26,657,800	14,863,300
Taxation	1,053,358	1,779,780	915,524	-	-
	269,874,697	234,587,696	203,045,277	131,017,700	87,219,400
Borrowings	45,100,397	30,446,540	29,234,448	15,497,400	8,349,000
TOTAL LIABILITIES	**314,975,094**	**265,034,236**	**232,279,725**	**146,515,100**	**95,568,400**
SHAREHOLDERS FUNDS					
Stated Capital	7,100,000	7,100,000	7,100,000	7,180,000	4,080,000
Income Surplus Account	6,459,820	2,277,653	671,887	(113,356)	11,300
Statutory Reserve Fund	5,456,920	4,597,968	2,401,056	786,100	2,286,100
Regulatory Loan Impairment Reserve	364,728	1,970,040	1,378,895	-	-
Capital Reserves	5,500,000	-	-	-	-
	24,881,468	15,945,661	11,551,838	7,852,744	6,377,400
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	**339,856,562**	**280,979,897**	**243,831,563**	**154,367,844**	**101,945,800**
Managed Funds on behalf of Governtment of Ghana and Danida	5,349,398	4,842,131	2,855,500	2,615,700	2,618,000
Liabilities on Guarantees and Indeminities	14,987,868	13,390,390	9,441,900	8,657,400	7,896,000

CHAIRMAN'S STATEMENT



1.0 INTRODUCTION

Distinguished Shareholders and Directors, once again I am delighted to welcome you to the 13th Annual General Meeting of Prudential Bank Limited and to report on the performance of your Bank for the year ended 31st December 2009.

2.0 THE GLOBAL ECONOMIC ENVIRONMENT

The Year 2009 remained challenging for the world economy due to the after effects of the global financial crisis that occurred in Year 2008, the consequences of which led to the collapse of some leading financial service firms and plunged most economies into recession.

Though the most acute phase of the global financial crisis had passed, economic recovery remained fragile. Major challenges included high and widespread unemployment, low growth in developed countries and scarce international financing for developing countries.

3.0 OVERVIEW OF THE GHANAIAN ECONOMY IN YEAR 2009

The Ghanaian economy was equally affected by the global crisis, though indirectly. The high unemployment situation created by the crisis in the developed countries caused foreign remittances into Ghana to decline. Official development assistance from the donor community also declined. The overall economic development of the country was adversely affected by weak demand for exports and high crude oil prices. The country consequently recorded a huge budget deficit of 14.5% of GDP by the end of Year 2008.

The NDC government which assumed office in January 2009 made the attainment of macroeconomic stability a key goal in its maiden budget presented in March 2009. By the end of December 2009, the key economic indicators showed a more positive outturn in the economic outlook with the headline inflation rate down to 15.9% compared to 20.7% in June 2009.

Overall GDP Growth Rate

Real GDP grew at 4.7% in Year 2009, registering a negative variance of 1.8% against the projected growth rate of 6.5%, 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 competition from imports, making it difficult for it to achieve its growth target of 5.9% (actual of 3.8%).

Inflation

Year-on-year inflation rose from 18.1% at the end of December 2008 to a peak of 20.7% in June 2009 and thereafter declined to 15.9% by the end of December 2009. The fall in the rate of inflation was mainly a direct result of the Government's tight monetary and fiscal stance.

Exchange Rate

Analysis of the developments in the nominal exchange rates of the cedi against the three major currencies showed that the cedi depreciated against the US dollar, the euro and the pound sterling by 18.8%, 16.2% and 22.4% respectively during the 2009 financial year.

Volatility in the foreign exchange market, however, eased significantly in the latter part of the year leading to a slight appreciation of the cedi against the dollar during this period.

Interest Rates

Market interest rates were broadly stable in Year 2009. The Bank of Ghana's prime rate of 17% at the beginning of the year was increased once to 18.5% in March 2009 and later reduced to 18% in November 2009 in line with the downward inflationary trend in the economy.

The interest rate equivalent of the benchmark 91-day Treasury Bill, as well as the 182-day Treasury Bill, reflected the downward inflationary trend and fell from 24.66% and 26.18% at the beginning of the year to 22.5% and 25.3% respectively by the end of Year 2009.

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

4.0 PERFORMANCE OF PBL IN YEAR 2009

4.1 Branch Development

Distinguished Shareholders, in its efforts to bring banking services closer to the doorsteps of its customers, your bank continued to make significant investments in its branch network expansion programme by opening six more branches; two in Accra, two in Kumasi and two in Cape Coast. The Bank also continued to expand its electronic banking services during the year with the installation of seven additional ATMs and the introduction of its SMS text banking services to give customers more convenient and flexible access to their cash and other banking services. A total of 25 ATMs have so far been deployed by the Bank.

4.2 Mobilization of Resources

4.2.1 Deposits

During the year under review, the Bank grew its deposits by 29% from GHS195.29million in Year 2008 to GHS251.28million in Year 2009. Time and Savings deposits which together accounted for 62% of total deposits were the main source of the growth.

4.2.2 Shareholders' Funds

Shareholders' funds increased from GHS15.94million in Year 2008 to GHS24.8million in Year 2009 representing a growth rate of 56%. The increase was due to the addition of Year 2009 retained earnings and recognition of a revaluation surplus in the Bank's equity investment in PBL Properties Ltd.

4.3 Allocation of Resources

During the year 2009, 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 20.9% from GHS280.98 million in Year 2008 to GHS339.8 million in Year 2009. This growth was mainly funded by deposits, borrowings and shareholders' funds.

4.3.1 Investments

The Bank's level of investment in government securities was increased by 40% from GHS26.86million in Year 2008 to GHS33.93million in Year 2009.

4.3.2 Lending Operations

The loans and advances portfolio registered an increase of 18% over the previous year; from GHS156.9million in Year 2008 to GHS185.6 million in Year 2009.

4.4 Results of Operations

Distinguished shareholders, against a background of severe competition in the banking industry and a general slowdown in the economy, your bank was able to register a reasonable level of profit in Year 2009. The Bank's pre-tax profit decreased by 39% to GHS4.029m from GHS6.611m registered in Year 2008.

The profit after tax transferred to Income Surplus at the end of the year was GHS3.436 million. This translates into a return on assets (ROA) of 1% and return on equity (ROE) of 14%. The Year 2009 ROE of 14% is significantly lower than the 2008 return of 31.96% mainly as a result of the recognition within Shareholders Funds of the revaluation surplus in the Bank's equity investment in PBL Properties Ltd.

4.5 Corporate Social Responsibility

Prudential Bank Limited, as a good corporate citizen, conducts its business operations in a socially responsible manner. In addition to discharging its obligations in respect of Corporate Tax, your Bank during the year 2009, continued to discharge its social responsibilities spending an amount of GHS77,568. Some of the beneficiaries were:

- SOS Children's Villages;
- Best Teachers' Awards ceremonies;
- Methodist University College;
- National Farmers Day;
- National Cardiothoracic Centre;

- Kwame Nkrumah Centenary Celebrations;
- Otumfuo Osei Tutu II Charity Foundation;
- African University College of Communications; and
- The Ghana Police Service.

4.6 Dividend and Capital

Distinguished ladies and gentlemen, the Directors are constrained by the requirements of Bank of Ghana for the Bank to increase its minimum capital to GHS25.0 million by the end of Year 2010 and further to GHS60.0 million by the end of Year 2012. In this regard, the Board of Directors is unable to recommend the payment of dividend to ordinary shareholders.

4.7 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, including quarterly management reports, internal control, risk and compliance and Bank of Ghana reports which promoted effective control and direction of the Bank.

4.8 Minimum Capital Requirement of Banks - Equity Contributions from Shareholders

Distinguished shareholders, at the Board meeting of your Bank held on 18th December, 2009, the Board of Directors passed a resolution to authorize the Bank to increase the stated capital to twenty five million Ghana cedis (GHS25,000,000.00) by 31st December, 2010 and up to sixty million Ghana cedis (GHS60,000,000.00) by 31st December, 2012.

It was further resolved that the additional capital should be raised through a Renounceable Rights Issue by inviting all the existing shareholders to contribute the additional capital in proportions equivalent to shares already held by the Shareholders. They shall indicate their acceptance of the offer or otherwise by 28 February, 2010 and pay up by 30th June, 2010. Shares renounced by shareholders shall be given to other interested shareholders who shall be required to pay up by 30th June, 2010. Where the existing shareholders do not take up the shares offered, the shares shall be offered to the public through private placement.

5.0 OUTLOOK FOR THE FUTURE

5.1 The Ghanaian Economy

According to the Government's 2010 "Growth and Stability" budget, the Government aims to grow the economy through job creation intended to improve the quality of life of the citizenry. The key focus of policy direction would be to achieve the following:

i. Maintain the macroeconomic stability and fiscal discipline achieved in 2009;

ii. Modernise agriculture, develop key infrastructure including ICT, oil and gas projects, and to support private sector development;

iii. Delivery of social programmes targeted at poverty reduction.

The following are the Government's key macroeconomic targets for year 2010:

- A real GDP growth of 6.5 per cent;
- Average inflation rate of 10.5per cent;
- End of period inflation rate of 9.2 per cent;
- Gross international reserves of not less than 2.5 months of import cover; and
- Overall budget deficit of 7.5 per cent of GDP.

5.2 The Banking Industry

Distinguished shareholders, the banking industry is expected to remain highly competitive with a focus on customer service, pricing, product innovation, effective use and development of banking technology platforms, broadening of customer base and expansion in branch network. These are all aimed at offering existing and potential customers options that will give them the best added value.

In response to competitive pressure, banks will continue to make significant investments in upgrading information technology platforms to enhance the quality of service delivery to their customers through automating and centralising various back office processes and deployment of multifunctional ATMs and SMS banking technology.

The industry is also up against keen competition from the Non Bank Financial Institutions in the area of deposit mobilization and credit delivery in the small and medium scale sectors of the economy.

The Bank of Ghana continues its process of financial sector reforms to modernize banking services and strengthen the industry to withstand shocks and protect the soundness of the financial system.

The Bank of Ghana, in pursuance of its objective to enhance the efficiency and security of existing payment systems to bring them up to international standards, introduced the Cheque Codeline Clearing System in Year 2009. The system currently ensures clearance of cheques within two days and is intended to enhance efficiency, reliability and timeliness in the clearing of cheques.

A further addition to the payment automation process is a system to manage non-cheque inter-bank transfers through an Automated Clearing House System.

The Basel II Framework for Capital Measurement and Capital Standards has now been adopted with implementation to commence in 2010. This would ensure that banks maintain adequate capital at all times to manage the various types of risks inherent in their operations.

5.3 Prudential Bank Limited

Distinguished Ladies and Gentlemen, SMS (Textwise) banking was launched by your bank in February 2009. The service provides customers with the ability to access selected banking services via text messaging on mobile telephones.

The Anidaso Susu Scheme, developed for the informal sector, was launched in June 2009 and is designed to mobilize savings and also inculcate the savings culture into micro and small scale enterprises. It is also designed to give working capital loans to these small scale operators to expand their businesses and thereby help alleviate poverty. The product is currently very popular with petty traders and small business owners as it encourages a savings culture and provides greater flexibility for accessing credit facilities.

The Branch network expansion plans as outlined in the Year 2010 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 nine new branches in various parts of the country in Year 2010.

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 to the Management and Staff of the Bank for their hard work and dedication to the Bank.

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

Front View of the Aboabo Branch on official opening day.

A cross-section of Magagias (respectable Hajias) who graced the Aboabo Branch opening.

Distinguished Alhajis at the Aboabo Branch Opening.

Customers being assisted to complete account opening forms at the Aboabo Branch.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their fourteenth annual report together with the audited consolidated financial statements of the Bank for the year ended 31st December, 2009 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, 2009 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 22 to 55.

The operations for the year resulted in a net profit after taxation of GHS 3,036,405 (2008: GHS 4,576,313) and GHS 3,435,807 (2008: GHS 4,393,823) for the Group and the Bank respectively. Total assets as at 31st December, 2009 were GHS 339,701,755 (2008: GHS 282,485,355) and GHS 339,856,562 (2008: GHS 280,979,897) for the Group and the Bank respectively.

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**

ACCRA

24TH MARCH **2010**

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 TO THE MEMBERS OF PRUDENTIAL BANK LIMITED

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, 2009, 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 statements 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.

Auditors' 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 auditors' 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 a true and fair view of the financial position of Prudential Bank Limited as of 31st December, 2009, 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) and Section 78(2) of the Banking Act, 2004 (Act 673) require that in carrying out our audit we consider and report on the following matters. We confirm that:

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

ii. In our opinion proper books of account have been kept by the Bank, so far as appears from our examination of these books;

iii. The Balance Sheet, Profit and Loss Account and Income Surplus Accounts are in agreement with the books of account.

iv. The Bank's transactions are within its powers.

v. The Bank has complied with the provisions of the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

Morrison & Associates
....

CHARTERED ACCOUNTANTS

24TH MARCH
.... **2010**

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2009

	Notes	THE GROUP		THE BANK	
		2009 GHS	2008 GHS	2009 GHS	2008 GHS
Interest Income	4	**49,113,009**	**34,524,926**	**49,137,352**	**34,568,029**
Interest Expense	5	(30,031,291)	(17,237,273)	(30,032,288)	(17,239,094)
NET INTEREST INCOME		19,081,718	17,287,653	19,105,064	17,328,935
Commissions and Fees	6	8,093,466	5,561,070	8,101,761	5,575,598
Other Operating Income	7	1,946,240	4,127,694	1,952,392	3,976,278
TOTAL INCOME		**29,121,424**	**26,976,417**	**29,159,217**	**26,880,811**
Loan Impairment Expense		(1,498,555)	(596,652)	(1,498,555)	(596,652)
Operating Expenses	8	(24,561,478)	(19,842,439)	(24,439,342)	(19,685,402)
NET OPERATING PROFIT		3,061,391	6,537,326	3,221,320	6,598,757
Other Income	10	568,970	256,279	808,443	12,358
PROFIT BEFORE TAX		**3,630,361**	**6,793,605**	**4,029,763**	**6,611,115**
Provision for Tax	14(a)	(392,468)	(2,217,292)	(392,468)	(2,217,292)
National Fiscal Stabilization Levy	14(b)	(201,488)	-	(201,488)	-
PROFIT AFTER TAX TRANSFERRED TO INCOME SURPLUS ACCOUNT		**3,036,405**	**4,576,313**	**3,435,807**	**4,393,823**

GROUP INCOME SURPLUS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2009

		2009 GHS	2008 GHS	2009 GHS	2008 GHS
Balance at 1st January		2,537,797	749,541	2,277,653	671,887
Net profit from Profit and Loss Account		3,036,405	4,576,313	3,435,807	4,393,823
		5,574,202	**5,325,854**	**5,713,460**	**5,065,710**
Transfer to Statutory Reserve Fund	29	(858,952)	(2,196,912)	(858,952)	(2,196,912)
Regulatory Loan Impairment Adjustment		1,605,312	(591,145)	1,605,312	(591,145)
Balance at 31st December		**6,320,562**	**2,537,797**	**6,459,820**	**2,277,653**

GROUP BALANCE SHEET
AS AT 31ST DECEMBER, 2009

	Note	THE GROUP 2009 GHS	THE GROUP 2008 GHS	THE BANK 2009 GHS	THE BANK 2008 GHS
ASSETS					
Cash and Balances with Bank of Ghana	11	30,377,284	18,974,297	30,377,284	18,974,297
Government Securities	12	33,931,842	26,865,388	33,931,842	26,865,388
Due from other Banks and Financial Inst.	13	59,493,141	57,501,551	59,493,141	57,501,551
Taxation	14	273,601	–	273,601	–
Loans and Advances to Customers	15	182,511,388	156,796,234	185,561,388	156,896,234
Equity Investments	18	6,125,317	928,975	6,030,605	530,605
Other Assets	19	12,066,203	10,424,180	9,324,495	9,249,273
		324,778,776	**271,490,625**	**324,992,356**	**270,017,348**
Property, Plant and Equipment	22	13,512,307	9,835,004	13,460,611	9,813,472
Intangible Asset	23	1,410,672	1,159,726	1,403,595	1,149,077
TOTAL ASSETS		**339,701,755**	**282,485,355**	**339,856,562**	**280,979,897**
LIABILITIES					
Customer Deposits	20	250,570,467	195,206,041	251,275,920	195,287,261
Interest payable and Other liabilities	25	18,235,323	38,847,189	17,545,419	37,520,655
Taxation	14	–	263,565	–	263,565
Deferred Tax	14	1,053,358	1,516,215	1,053,358	1,516,215
Borrowings	26	45,100,397	30,446,540	45,100,397	30,446,540
TOTAL LIABILITIES		**314,959,545**	**266,279,550**	**314,975,094**	**265,034,236**
SHAREHOLDERS' FUNDS					
Stated Capital	28	7,100,000	7,100,000	7,100,000	7,100,000
Income Surplus Account		6,320,562	2,537,797	6,459,820	2,277,653
Regulatory Loan Impairment Reserve		364,728	1,970,040	364,728	1,970,040
Statutory Reserve Fund	29	5,456,920	4,597,968	5,456,920	4,597,968
Capital Surplus		5,500,000	–	5,500,000	–
TOTAL SHAREHOLDERS' FUNDS		**24,742,210**	**16,205,805**	**24,881,468**	**15,945,661**
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**339,701,755**	**282,485,355**	**339,856,562**	**280,979,897**

BY ORDER OF THE BOARD

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

ACCRA

24TH MARCH **2010**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2009

		THE GROUP		THE BANK	
OPERATING ACTIVITIES		2009	2008	2009	2008
	Note	GHS	GHS	GHS	GHS
PROFIT BEFORE TAX		**3,630,361**	**6,793,605**	**4,029,763**	**6,611,115**
Gain/(Loss)on Investment at FVTPL		283,935	(113,052)	–	–
Profit on Sale of Fixed Assets	22(a)	(769,752)	(1,500)	(770,719)	(1,500)
Amortisation of Pre-operating Expenses		–	15,606	–	–
Depreciation and Amortisation		2,423,236	1,767,132	2,400,253	1,749,177
Charge for Loan Impairment		1,471,910	559,675	1,471,910	559,675
Provision for Contingent Liabilities		26,645	36,977	26,645	36,977
		3,435,974	2,264,838	3,128,089	2,344,329
NET CASH INFLOW BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		**7,066,335**	**9,058,443**	**7,157,852**	**8,955,444**
Decrease/(Increase) in Government Securities		(7,066,454)	7,669,503	(7,066,454)	7,669,503
(Increase) in Loans & Advances to Customers		(27,187,062)	(42,333,135)	(30,137,062)	(42,333,138)
(Increase)/Decrease in Other Assets		(1,642,024)	510,073	(75,223)	(582,828)
Increase in Customer Deposits		55,364,426	16,313,237	55,988,659	16,322,533
Increase/(Decrease) in Interest Payable & Other Liabilities		(20,638,511)	13,284,879	(20,001,881)	14,355,630
Increase in Borrowings		14,653,857	1,212,092	14,653,857	1,212,092
Corporate Tax Paid		(1,593,979)	(1,353,034)	(1,593,979)	(1,353,034)
		11,890,253	**(4,696,385)**	**11,767,917**	**(4,709,242)**
NET CASH INFLOW FROM OPERATING ACTIVITES		**18,956,588**	**4,362,058**	**18,925,769**	**4,246,202**
INVESTING ACTIVITIES					
Purchase of Fixed/Intangible Assets		(6,498,105)	(6,581,589)	(6,447,063)	(6,569,259)
Sale of Fixed Assets - proceeds		916,371	1,500	915,871	1,500
Decrease/(Increase) in Equity Investments		19,723	(103,526)	–	–
NET INCREASE(DECREASE) IN CASH & CASH EQUIVALENT		**13,394,577**	**(2,321,557)**	**13,394,577**	**(2,321,557)**
ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENT					
Balance at 1st January		76,475,848	78,797,405	76,475,848	78,797,405
Net Cash Inflow		13,394,577	(2,321,557)	13,394,577	(2,321,557)
Balance at 31st December		**89,870,425**	**76,475,848**	**89,870,425**	**76,475,848**
COMPOSITION OF CASH AND CASH EQUIVALENTS					
Cash in Hand		11,130,326	8,766,426	11,130,326	8,766,426
Balances with Bank of Ghana		19,246,958	10,207,871	19,246,958	10,207,871
Balances with Foreign Banks		12,226,239	24,555,163	12,226,239	24,555,163
Items in Course of collection		18,120,778	6,890,305	18,120,778	6,890,305
Foreign Cheques Purchased		9,270	18,553,010	9,270	18,553,010
Foreign Time Deposits		29,136,854	7,503,073	29,136,854	7,503,073
		89,870,425	**76,475,848**	**89,870,425**	**76,475,848**

STATEMENT OF CHANGES IN EQUITY

2009	STATED CAPITAL	INCOME SURPLUS	STATUTORY RESERVE	CAPITAL SURPLUS	REGULATORY LOAN IMPAIRMENT RESERVE	TOTAL
	GHS	GHS	GHS	GHS	GHS	GHS
Balance at 1st January	7,100,000	2,277,653	4,597,968	–	1,970,040	15,945,661
Net profit for the year	–	3,435,807	–	–	–	3,435,807
Transfer to Regulatory Impairment Reserve	–	1,605,312	–	–	(1,605,312)	–
Transfer to Statutory Reserve	–	(858,952)	858,952	–	–	–
Gain on Revaluation of Equity Investment	–	–	–	5,500,000	–	5,500,000
Balance at 31st December	**7,100,000**	**6,459,820**	**5,456,920**	**5,500,000**	**364,728**	**24,881,468**

2008						
	GHS	GHS	GHS	GHS	GHS	GHS
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	–	–	–
Balance at 31st December	**7,100,000**	**2,277,653**	**4,597,968**	**–**	**1,970,040**	**15,945,661**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2009

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.

1.2 Compliance with International Financial Reporting Standards (IFRSs)

The financial statements of the Bank for the year ended 31st December, 2009 have been prepared in accordance with International Financial Reporting Standards (IFRSs).

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 (GHS) 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. Other assets that are neither cash nor categorised under any other category also come under this classification.

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 that are classified as loans and receivables are accounted for at amortised cost using the effective interest method. Those not so classified are regarded as available-for-sale assets and are measured at fair value.

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

Subsequent to the initial recognition, loans and advances are stated on the balance sheet at values determined as aforesaid 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. All liabilities shown in the balance sheet are non-trading liabilities.

(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 its 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) De-recognition 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 have 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 determined using 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. 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 rates of depreciation were reviewed in the course of the year to reflect the Bank's current experience.

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

• Computer Hardware	–	25%
• Furniture and Fittings	–	20%
• Motor Vehicle	–	20%
• Branch Development	–	12.5%
• Plant & Machinery	–	12.5%
• Office Equipment	–	12.5%
• Land and buildings	–	3%

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 de-recognition 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 life 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	
		2009 GHS	2008 GHS	2009 GHS	2008 GHS
3.	**Amount spent on fulfiling social responsibility obligations**	77,568	57,052	77,568	57,052
4.	**INTEREST INCOME**				
	*Placements, Special Deposit	527,810	2,676,414	527,810	2,676,414
	*Investment Securities	5,366,793	3,896,093	5,366,793	3,896,093
	Loans and Advances	43,218,406	27,952,419	43,242,749	27,995,522
		49,113,009	**34,524,926**	**49,137,352**	**34,568,029**
	***NB: All are Held-To-Maturity Investment**				
5.	**INTEREST EXPENSE**				
	Current Accounts	1,292,515	1,166,260	1,292,515	1,166,260
	Time and other Deposits	20,950,879	11,413,897	20,951,876	11,415,718
	Overnight and Call Accounts	6,581,627	3,895,773	6,581,627	3,895,773
	Borrowed Funds	1,206,270	761,343	1,206,270	761,343
		30,031,291	**17,237,273**	**30,032,288**	**17,239,094**
6.	**COMMISSIONS AND FEES**				
	Commission on Turnover	606,099	980,604	614,394	995,132
	Commission on Transfers/Letters of Credit	1,782,137	1,984,282	1,782,137	1,984,282
	Investigating and Processing	3,578,588	1,327,675	3,578,588	1,327,675
	Professional Services	144,572	81,482	144,572	81,482
	Commission on Guarantees and Indemnities	559,506	276,487	559,506	276,487
	Commission on Managed Funds	38,155	13,333	38,155	13,333
	Others	1,384,409	897,207	1,384,409	897,207
	Total	**8,093,466**	**5,561,070**	**8,101,761**	**5,575,598**

	THE GROUP 2009 GHS	THE GROUP 2008 GHS	THE BANK 2009 GHS	THE BANK 2008 GHS
7. OTHER OPERATING INCOME				
Gain on Foreign Exchange	1,952,292	3,753,374	1,952,292	3,753,374
Other Income	(6,052)	169,146	100	17,730
Exchange Revaluation Surplus(net)	–	205,174	–	205,174
	1,946,240	**4,127,694**	**1,952,392**	**3,976,278**
8. OPERATING EXPENSES				
License & Fees	10,350	10,560	–	–
Staff Costs (Note 9)	5,962,846	5,878,664	5,938,699	5,833,667
Advertising and Marketing	860,698	711,335	841,102	699,339
Administrative Expenses	4,385,382	3,729,970	4,356,767	3,693,961
Training	332,265	353,529	332,265	353,529
Depreciation and Amortisation	2,423,236	1,767,133	2,400,253	1,749,177
Directors' Emoluments	342,545	334,856	342,545	334,856
Auditors' Remuneration	66,096	59,024	62,790	55,950
Motor Vehicle Running Costs	1,401,216	1,151,606	1,397,899	1,146,302
Occupancy Cost	5,732,781	4,004,884	5,722,959	3,993,349
Others	3,044,063	1,840,878	3,044,063	1,825,272
	24,561,478	**19,842,439**	**24,439,342**	**19,685,402**
9. Staff Costs				
Wages, Salaries, Bonus, Allowances	4,692,519	4,093,933	4,672,114	4,056,003
Social Security Fund	417,544	374,855	415,673	371,495
Provident fund contributions	411,051	360,370	409,180	357,010
Medical Expenses	441,732	291,037	441,732	290,690
Retirement Benefit	–	758,469	–	758,469
	5,962,846	**5,878,664**	**5,938,699**	**5,833,667**

The average number of persons employed by the bank during the year was 667 (2008: 649).

	THE GROUP 2009 GHS	THE GROUP 2008 GHS	THE BANK 2009 GHS	THE BANK 2008 GHS
10. OTHER INCOME				
Measurement Gain/(loss) on Financial Assets at Fair Value				
Through Profit and Loss	(283,935)	113,052	–	–
Others	852,905	143,227	808,443	12,358
	568,970	**256,279**	**808,443**	**12,358**

	THE GROUP		THE BANK	
	2009	2008	2009	2008
	GHS	GHS	GHS	GHS
11. CASH AND BANK BALANCES WITH BANK OF GHANA				
Cash in Hand	11,130,326	8,766,426	11,130,326	8,766,426
Balances with Bank of Ghana	19,246,958	10,207,871	19,246,958	10,207,871
	30,377,284	**18,974,297**	**30,377,284**	**18,974,297**
12. GOVERNMENT SECURITIES*				
Treasury bills – The Bank	24,830,890	240,787	24,830,890	240,787
– Sinking Fund	554,500	1,179,420	554,500	1,179,420
1 Year Treasury Note	26,452	1,291,641	26,452	1,291,641
Floating Rating Investments	8,520,000	24,153,540	8,520,000	24,153,540
	33,931,842	**26,865,388**	**33,931,842**	**26,865,388**

*NB: All Held - To - Maturity Investments

	THE GROUP 2009	THE GROUP 2008	THE BANK 2009	THE BANK 2008
13. DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS				
Nostro Account Balances	12,226,239	24,056,474	12,226,239	24,056,474
Items in course of collection	18,120,778	6,890,305	18,120,778	6,890,305
Overnight Lending	–	7,503,073	–	7,503,073
Foreign Time Deposits *	29,136,854	498,689	29,136,854	498,689
Foreign cheques purchased	9,270	18,553,010	9,270	18,553,010
	59,493,141	**57,501,551**	**59,493,141**	**57,501,551**

*Held -To-Maturity Investment

14. TAXATION	Year of Assesment	Balance 1-Jan '09 GHS	payment made during the year GHS	Charge to P&L Account GHS	Balance at 31st Dec '09 GHS
14.(a) INCOME TAX					
	2007	68,970	–	–	68,970
	2008	198,365	–	–	198,365
	2009	–	(1,593,979)	855,325	(738,654)
		267,335	**(1,593,979)**	**855,325**	**(471,319)**
(b) NATIONAL FISCAL STABILIZATION LEVY					
	2008	(3,770)	–	–	(3,770)
	2009	–	–	201,488	201,488
		(3,770)	–	201,488	197,718
		263,565	**(1,593,979)**	**1,056,813**	**(273,601)**
(c) DEFERRED TAX					
		1,516,215	–	**(462,857)**	**1,053,358**

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

	THE GROUP 2009 GHS	THE GROUP 2008 GHS	THE BANK 2009 GHS	THE BANK 2008 GHS
15. LOANS AND ADVANCES TO CUSTOMERS				
ANALYSIS BY TYPE				
Overdrafts	84,661,301	63,502,085	84,661,301	63,502,085
*Term Loans	107,323,000	99,594,420	110,373,000	99,694,420
Gross Loans and Advances	**191,984,301**	**163,096,505**	**195,034,301**	**163,196,505**
Less: Allowance for Impairment	(4,406,901)	(3,526,137)	(4,406,901)	(3,526,137)
Interest in Suspense	(5,066,012)	(2,774,134)	(5,066,012)	(2,774,134)
Net Loans and Advances	**182,511,388**	**156,796,234**	**185,561,388**	**156,896,234**
a. Loans and advances (including credit bills negotiable) to customers and staff.	**191,984,301**	**163,096,505**	**195,034,301**	**163,196,505**
b. Loan impairment allowance ratio = Accumulated allowance for impairment and Interest in Suspense to Gross Loans.	**4.94%**	**3.86%**	**4.86%**	**3.86%**
c. Gross non-performing Loans ratio = Aggregate of substandard to Loss Loans per Bank of Ghana Regulations (gross) to total Gross Loans.	**4.92%**	**3.96%**	**4.85%**	**3.96%**
d. Ratio of 50 largest exposures (funded and non-funded) to total exposures (funded and non-funded).	**60.66%**	**49.76%**	**59.71%**	**49.76%**
16. ANALYSIS BY TYPE OF CUSTOMER				
Individuals	5,728,543	4,352,571	5,728,543	4,352,571
Other Private Enterprises	172,956,669	149,539,719	176,006,669	149,639,719
Government departments and agencies	7,075,524	4,166,686	7,075,524	4,166,686
Public Enterprises	486,569	7,864	486,569	7,864
Staff	5,736,996	5,029,665	5,736,996	5,029,665
	191,984,301	**163,096,505**	**195,034,301**	**163,196,505**
Less: Allowance for Impairment & Interest in Suspense	(9,472,913)	(6,300,271)	(9,472,913)	(6,300,271)
	182,511,388	**156,796,234**	**185,561,388**	**156,896,234**

*Loans and Receivables

	THE GROUP 2009 GHS	THE GROUP 2008 GHS	THE BANK 2009 GHS	THE BANK 2008 GHS
17. ANALYSIS BY BUSINESS SEGMENTS				
Agriculture, Forestry & Fishing	3,028,256	1,666,513	3,028,256	1,666,513
Mining and Quarrying	501,553	356,687	501,553	356,687
Manufacturing	18,381,146	21,936,178	18,381,146	21,936,178
Construction	9,049,016	8,573,634	9,049,016	8,573,634
Electricity, Gas and Water	16,821,131	7,296,840	16,821,131	7,296,840
Commerce and Finance	49,484,644	44,333,759	52,534,644	44,433,759
Transport, Storage & Communication	16,692,128	4,185,204	16,692,128	4,185,204
Services	32,401,055	30,454,471	32,401,055	30,454,471
Miscellaneous	45,625,372	44,293,219	45,625,372	44,293,219
	191,984,301	**163,096,505**	**195,034,301**	**163,196,505**
Less: Allowance for Impairment & Interest in Suspense	(9,472,913)	(6,300,271)	(9,472,913)	(6,300,271)
	182,511,388	156,796,234	185,561,388	156,896,234
Movements in the Banks Allowance for Impairment and Interest in Suspense are as follows:				
(a) Allowance for Impairment				
At 1st January 2009	3,526,137	3,292,158	3,526,137	3,292,158
Write-off against the Allowance	–	(18,563)	–	(18,563)
Decrease in Allowance	(563,650)	(372,238)	(563,650)	(372,238)
Increase in Allowance	1,444,414	624,780	1,444,414	624,780
At 31st December 2009	**4,406,901**	**3,526,137**	**4,406,901**	**3,526,137**
(b) Interest in Suspense				
At 1st January 2009	2,774,134	1,151,845	2,774,134	1,151,845
Recoveries	(3,302,051)	(717,577)	(3,302,051)	(717,577)
Increase in Allowance	5,593,929	2,339,866	5,593,929	2,339,866
At 31st December, 2009	**5,066,012**	**2,774,134**	**5,066,012**	**2,774,134**
TOTAL	**9,472,913**	**6,300,271**	**9,472,913**	**6,300,271**

		THE GROUP		THE BANK	
		2009 GHS	2008 GHS	2009 GHS	2008 GHS
18(a.) EQUITY INVESTMENTS					
Name of Company	**Issued Shares Held**				
PBL Properties Ltd.	100%	5,600,000	100,000	5,600,000	100,000
Prudential Securities Ltd.	100%	–	–	242,662	242,662
Metro Mass Transit	1.81%	97,821	97,821	97,821	97,821
Other Equities		337,374	641,032	–	–
Airport West Hospitality ltd.	5.8%	90,122	90,122	90,122	90,122
		6,125,317	928,975	6,030,605	530,605
18.(b) ANALYSIS BY TYPE OF FINANCIAL ASSET					
Available-For-Sale		5,787,943	287,943	6,030,605	530,605
Fair Value Through Profit or Loss		337,374	641,032	–	–
		6,125,317	**928,975**	**6,030,605**	**530,605**
19. OTHER ASSETS					
Accounts Receivable and Prepayments		6,418,231	4,482,493	3,384,385	3,166,415
Stationery		674,779	321,690	674,779	321,690
Deferred Staff Loan Asset		578,474	754,677	578,474	754,677
Fees Receivable		7,546	61,750	–	–
Contra Items		4,383,191	4,800,125	4,383,191	4,800,125
Prudential Securities		–	–	303,666	206,366
Others		3,982	3,445	–	–
		12,066,203	**10,424,180**	**9,324,495**	**9,249,273**
20. CUSTOMER DEPOSITS					
Current Account		91,971,121	84,421,862	92,669,915	84,501,373
Time Deposits		116,822,434	79,653,795	116,829,093	79,655,504
Savings Deposits		41,776,912	31,130,384	41,776,912	31,130,384
		250,570,467	195,206,041	251,275,920	195,287,261
21. Analysis by Type of Depositors					
Financial Institutions		4,382,447	–	4,382,447	–
Individual and Other Private Enterprises		238,625,927	189,565,842	239,331,380	189,647,062
Government Department & Agencies		7,075,524	4,899,510	7,075,524	4,899,510
Public Enterprises		486,569	740,689	486,569	740,689
		250,570,467	**195,206,041**	**251,275,920**	**195,287,261**

The ratio of twenty largest depositors to total deposits: 32.3% (2008 : 36%).

22(a) PROPERTY, PLANT AND EQUIPMENT-GROUP

	Plant & Machinery GHS	Branch Development GHS	Motor Vehicles GHS	Furniture & Fittings GHS	Office Equipment GHS	Computer Hardware GHS	Capital Work In Progress GHS	Land & Building GHS	TOTAL GHS
COST									
At 1st January, 2009	486,264	650,182	2,587,100	1,397,054	3,607,681	2,290,871	678,307	2,667,032	14,364,491
Additions during the year	237,392	814,596	1,684,480	431,045	1,136,167	582,381	583,320	239,093	5,708,474
Disposals and Transfers	–	–	(230,530)	–	–	–	–	(110,110)	(340,640)
At 31st December, 2009	723,656	1,464,778	4,041,050	1,828,099	4,743,848	2,873,252	1,261,627	2,796,015	19,732,325
DEPRECIATION									
At 1st January, 2009	219,853	124,453	1,441,794	630,806	884,680	1,181,443	–	46,459	4,529,488
Charge for the year	56,979	107,352	526,198	242,074	363,058	524,817	–	64,073	1,884,551
Released on Disposals	–	–	(194,021)	–	–	–	–	–	(194,021)
At 31st December, 2009	276,832	231,805	1,773,971	872,880	1,247,738	1,706,260	–	110,532	6,220,018
NET BOOK VALUE									
At 31st December, 2009	446,824	1,232,973	2,267,079	955,219	3,496,110	1,166,992	1,261,627	2,685,483	13,512,307
At 31st December, 2008	266,411	525,729	1,145,306	766,248	2,723,001	1,109,428	678,307	2,620,573	9,835,003

PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2009 GHS	2008 GHS
Gross Book Value	340,640	3,727
Accumulated Depreciation	194,021	3,727
Net Book Value	146,619	–
Sales Proceeds	916,371	1,500
Net Profit(Loss)	769,752	1,500

The depreciation charge for the year reflects a reduction of GHS 591,022 consequent upon a revision in some depreciation rates during the year

22(b) PROPERTY, PLANT AND EQUIPMENT-BANK

	Plant & Machinery GHS	Branch Development GHS	Motor Vehicles GHS	Furniture & Fittings GHS	Office Equipment GHS	Computer Hardware GHS	Capital Work In Progress GHS	Land & Building GHS	TOTAL GHS
COST									
At 1st January, 2009	486,264	650,182	2,559,403	1,387,937	3,600,401	2,266,874	678,307	2,667,032	14,296,400
Additions during the year	237,392	814,596	1,643,328	425,536	1,135,692	579,401	583,320	239,093	5,658,358
Disposals and Transfers	–	–	(222,530)	–	–	–	–	(110,110)	(332,640)
At 31st December, 2009	723,656	1,464,778	3,980,201	1,813,473	4,736,093	2,846,275	1,261,627	2,796,015	19,622,118
DEPRECIATION									
At 1st January, 2009	219,853	124,453	1,423,328	624,630	881,351	1,162,855	–	46,459	4,482,929
Charge for the year	56,979	107,352	516,258	239,645	361,539	520,220	–	64,073	1,866,066
Released on Disposals	–	–	(187,488)	–	–	–	–	–	(187,488)
At 31st December, 2009	276,832	231,805	1,752,098	864,275	1,242,890	1,683,075	–	110,532	6,161,507
NET BOOK VALUE									
At 31st December, 2009	**446,824**	**1,232,973**	**2,228,103**	**949,198**	**3,493,203**	**1,163,200**	**1,261,627**	**2,685,483**	**13,460,611**
At 31st December, 2008	**266,411**	**525,729**	**1,136,075**	**763,307**	**2,719,050**	**1,104,019**	**678,307**	**2,620,573**	**9,813,471**

PROFIT ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	2009 GHS	2008 GHS
Gross Book Value	332,640	3,727
Accumulated Depreciation	187,488	3,727
Net Book Value	145,152	–
Sales Proceeds	915,871	1,500
Net Profit(Loss)	770,719	1,500

The depreciation charge for the year reflects a reduction of GHS 591,022 consequent upon a revision in some depreciation rates during the year

	THE GROUP 2009 GHS	THE GROUP 2008 GHS	THE BANK 2009 GHS	THE BANK 2008 GHS
23. INTANGIBLE ASSETS				
This consist of Computer Software				
(a) Cost				
At 1st January	2,081,825	1,430,201	2,064,218	1,422,044
Additions	789,631	651,624	788,705	642,174
At 31st December	2,871,456	2,081,825	2,852,923	2,064,218
(b) Amortisation				
At 1st January	922,099	165,756	915,141	162,018
Charge for year	538,685	756,343	534,187	753,123
At 31st December	1,460,784	922,099	1,449,328	915,141
Net Book Value	**1,410,672**	**1,159,726**	**1,403,595**	**1,149,077**
24. MANAGED FUNDS				
TIP/MOF Fund for NTE'S	2,377,077	2,169,821	2,377,077	2,169,821
DANIDA Capital Fund for SMEs	201,739	179,597	201,739	179,597
MOWAC/JAPANESE FUND	61,848	61,848	61,848	61,848
GTZ/SMEP Fund	695,448	667,449	695,448	667,449
RUMSEC	2,013,286	1,763,416	2,013,286	1,763,416
	5,349,398	**4,842,131**	**5,349,398**	**4,842,131**

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.

		THE GROUP		THE BANK	
		2009	2008	2009	2008
		GHS	GHS	GHS	GHS
25	**INTEREST PAYABLE AND OTHER LIABILITIES**				
	TIP/MOF Fund	207,307	151,591	207,307	151,591
	DANIDA Fund	31,187	32,010	31,187	32,010
	Margins on Letters of Credits	2,105,904	15,632,587	2,105,904	15,632,587
	Payment Order & Bankers Payment	3,472,262	2,687,524	3,472,262	2,687,524
	Others	12,418,663	20,343,477	11,728,759	19,016,943
		18,235,323	**38,847,189**	**17,545,419**	**37,520,655**
26.	**BORROWINGS**				
	EDIF	718,914	1,623,704	718,914	1,623,704
	Redeemable Preference Shares	104,020	97,940	104,020	97,940
	SSNIT Export Finance Loans	3,000,000	3,250,820	3,000,000	3,250,820
	Repurchase Agreements	27,816,381	23,514,574	27,816,381	23,514,574
	Export Finance Bonds	1,158,658	882,000	1,158,658	882,000
	Overnight	10,000,000	–	10,000,000	–
	Subordinated Term Loan	2,302,424	1,077,502	2,302,424	1,077,502
		45,100,397	**30,446,540**	**45,100,397**	**30,446,540**

27. 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:

	THE GROUP 2009 GHS	THE GROUP 2008 GHS	THE BANK 2009 GHS	THE BANK 2008 GHS
Guarantees and Indemnities	11,796,298	8,921,249	11,796,298	8,921,249
Documentary Credits	3,191,570	4,469,141	3,191,570	4,469,141
	14,987,868	**13,390,390**	**14,987,868**	**13,390,390**

28. STATED CAPITAL

AUTHORISED

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

	ORDINARY Number	**2009 GHS**	**ORDINARY Number**	**2008 GHS**
ISSUED AND FULLY PAID				
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
	49,150,000	**7,100,000**	**49,150,000**	**7,100,000**

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

29. STATUTORY RESERVE FUND

	2009 GHS	**2008 GHS**
At 1st January	4,597,968	2,401,056
Transfer from		
Income Surplus Account	858,952	2,196,912
At 31st December	5,456,920	4,597,968

The fund represents the amount set aside from annual net profits after tax, as required by Section 29 of the Banking Act, 2004 (Act 673).

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

ASSETS	TOTAL GHS	US DOLLAR GHS	BRITISH POUND GHS	EURO GHS	OTHERS GHS
Cash and Balances with Bank of Ghana	**8,268,750**	3,803,293	1,705,497	2,759,960	–
Due from other Banks & Financial Institutions	**41,372,364**	13,310,265	3,719,925	24,342,174	–
Loans and Advances to Customers	**38,919,561**	38,409,594	46,500	463,467	–
Other Assets	**57,512**	6,572	–	50,940	–
TOTAL ASSETS	**88,618,187**	**55,529,724**	**5,471,922**	**27,616,541**	**–**
LIABILITIES					
Due to Customers	**87,472,099**	57,113,784	5,100,866	25,257,449	–
Other Liabilities	**3,582,490**	1,049,877	667,468	1,865,145	–
TOTAL LIABILITIES	**91,054,589**	**58,163,661**	**5,768,334**	**27,122,594**	**–**
NET ON BALANCE SHEET POSITION	**(2,436,402)**	**(2,633,937)**	**(296,412)**	**493,947**	**–**
Off Balance Sheet Credit Commitments					
Letters of Credit	**3,189,761**	3,038,688	56,165	94,908	–
Bonds & Guarantees	**4,669,246**	2,460,286	–	–	2,208,960
	7,859,007	**5,498,974**	**56,165**	**94,908**	**2,208,960**
At 31st December, 2008					
Total Assets	**78,672,275**	45,158,899	3,971,935	29,541,441	–
Total Liabilities	**81,611,717**	45,189,876	4,584,519	31,837,322	–
Net on Balance Sheet position	**(2,939,442)**	**(30,977)**	**(612,584)**	**(2,295,881)**	**–**
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
	9,651,520	**7,002,786**	**–**	**–**	**2,648,734**

31.(a) MATURITY ANALYSIS OF ASSETS AND LIABILITIES (IN MONTHS) - GROUP

	TOTAL GHS	0-3 GHS	3-6 GHS	6-12 GHS	Over 12 GHS
ASSETS					
Cash and Balances with Bank of Ghana	30,377,284	30,377,284	–	–	–
Government Securities	33,931,842	20,804,005	13,125,679	2,158	–
Due from other Banks and Financial Institutions	59,493,141	38,118,121	3,173,750	18,201,270	–
Loans and Advances to Customers	182,511,387	58,743,505	23,159,359	60,940,281	39,668,242
Taxation	273,601	273,601	–	–	–
Investment in Subsidiary/Other companies	6,125,317	–	–	–	6,125,317
Other Assets	12,066,204	2,023,293	5,050,037	286,595	4,706,279
Property, Plant and Equipment	14,922,979	999,122	1,284,587	2,854,637	9,784,633
TOTAL ASSETS	**339,701,755**	**151,338,931**	**45,793,412**	**82,284,941**	**60,284,471**
LIABILITIES					
Due to Customers	250,570,467	53,193,679	33,576,485	34,935,521	128,864,782
Due to Bank of Ghana	–	–	–	–	–
Due to other Banks and	–	–	–	–	–
Financial Institutitons	–	–	–	–	–
Managed Funds	–	–	–	–	–
Borrowed Funds	45,100,397	9,964,940	–	23,207,042	11,928,415
Other Liabilities	18,235,323	7,262,129	4,412,773	2,051,294	4,509,127
Deferred Tax	1,053,358	–	–	–	1,053,358
TOTAL LIABILITIES	**314,959,545**	**70,420,748**	**37,989,258**	**60,193,857**	**146,355,682**
NET LIQUIDITY GAP	**24,742,210**	**80,918,183**	**7,804,154**	**22,091,084**	**(86,071,211)**
At 31st December, 2008					
Total Assets	282,485,355	125,782,156	40,998,178	55,874,838	59,830,183
Total Liabilities	266,279,550	57,889,637	37,168,358	59,340,076	111,881,479
NET LIQUIDITY GAP	**16,205,805**	**67,892,519**	**3,829,820**	**(3,465,238)**	**(52,051,296)**

31.(b) MATURITY ANALYSIS OF ASSETS AND LIABILITIES (IN MONTHS)-BANK

	TOTAL GHS	0-3 GHS	3-6 GHS	6-12 GHS	Over 12 GHS
ASSETS					
Cash and Balances with Bank of Ghana	30,377,284	30,377,284	–	–	–
Government Securities	33,931,842	20,804,005	13,125,679	2,158	–
Due from other Banks and					
Financial Institutions	59,493,141	38,118,121	3,173,750	18,201,270	–
Loans and Advances to Customers	185,561,387	58,743,505	23,159,359	63,990,281	39,668,242
Taxation	273,601	273,601	–	–	–
Investment in Subsidiary/ Other companies	6,030,605	–	–	–	6,030,605
Other Assets	9,324,496	2,023,293	5,050,037	286,595	1,964,571
Property, Plant and Equipment	14,864,206	999,122	1,284,587	2,854,637	9,725,860
TOTAL ASSETS	**339,856,562**	**151,338,931**	**45,793,412**	**85,334,941**	**57,389,278**
LIABILITIES					
Due to Customers	251,275,920	53,193,679	33,576,485	34,935,521	129,570,235
Due to Bank of Ghana	–	–	–	–	–
Due to other Banks and	–	–	–	–	–
Financial Institutitons	–	–	–	–	–
Managed Funds	–	–	–	–	–
Borrowed Funds	45,100,397	9,964,940	–	23,207,042	11,928,415
Other Liabilities	17,545,419	7,262,129	4,412,773	2,051,294	3,819,223
Deferred Tax	1,053,358	–	-	–	1,053,358
TOTAL LIABILITIES	**314,975,094**	**70,420,748**	**37,989,258**	**60,193,857**	**146,371,231**
NET LIQUIDITY GAP	**24,881,468**	**80,918,183**	**7,804,154**	**25,141,084**	**(88,981,953)**
At 31st December, 2008					
Total Assets	280,979,897	125,782,156	39,998,178	55,974,838	59,224,725
Total Liabilities	265,034,236	57,889,637	37,168,358	58,013,542	111,962,699
NET LIQUIDITY GAP	**15,945,661**	**67,892,519**	**2,829,820**	**(2,038,704)**	**(52,737,974)**

32.0 RISK MANAGEMENT

Introduction

The nature of the Bank's operations as a financial intermediary exposes it to various types of risks. To ensure that the Bank takes only measured risks, PBL has integrated risk management in its daily business activities and strategic planning. The risk management department assists management in the formulation of the overall policies, including various risk management strategies and control. The Department also provides a review of the overall risk profile from time to time.

The Bank has established a comprehensive risk management framework for managing risks inherent in its operations at all levels throughout the Bank. The risk management framework ensures the identification, measurement and control of credit, market, liquidity and operational risks at all levels in the Bank with a view to safeguarding its financial strength. The risk management framework also contains details of the Bank's risk governance structure.

32.1 Risk Governance

PBL maintains a risk governance structure geared towards strengthening risk identification, measurement, management and control whilst positioning the Bank to manage the changing regulatory environment in an efficient and effective manner. The risk governance structure ensures oversight of and accountability for, the effective management of risks inherent in the Bank's operations.

The risk management governance structure uses the 'three lines of defence' approach which ensures that risk management is performed at all levels of the Bank's operations. This approach provides a clear allocation of responsibilities for the ownership and management of risks as follows:

i. In the first line of defence, heads of divisions, departments and branch managers are primarily responsible for managing risks inherent in their business units. These Departments and branches continuously assess and evaluate risks associated with their day-to-day operations. The process ensures strict adherence to the Bank's operational policies, procedures and controls.

ii. The second line of defence consists of dedicated risk management committees carefully created to assist the first line of defence in the implementation of risk management procedures approved by the Board.

iii. The third line of defence consists of the Internal Control Division comprising Branch Inspection, Systems Audit and Internal Audit as well as the Compliance and Risk Management Departments. These departments provide an independent assessment and validation of the adequacy and effectiveness of the overall risk management function and governance structures of the Bank and report independently to the Board. External Auditors also have a statutory duty to provide an independent opinion on the Bank's financial statements to the Board of Directors, Shareholders and Bank of Ghana.

The risk governance system of the Bank is multi-faceted, involving the Board of Directors and management level committees. At the highest level, the Board of Directors, supported by the Audit and Risk Management sub-committee of the Board determines the risk strategy, policy, limits and appetite for the Bank. The board regularly reviews the Bank's risk exposure to enable them take appropriate risk related decisions.

The Head of the Risk Management department is responsible for coordinating the risk management activities of the various committees and departments of the Bank. The risk manager is primarily responsible for ensuring that the Bank's risk profile is consistent with its financial resources and the risk appetite defined by the Board.

32.2 Categories of Risks

The major types of risks confronting the Bank include the following:

Liquidity Risk: This is the risk that the Bank will be unable to meet customers' withdrawals, committed loans and advances disbursements and other payment obligations as they fall due.

Credit Risk: This risk arises from the possibility that the bank will incur losses from the failure of customers or counter parties to repay credit facilities granted them and/or to discharge their obligations under contingent liabilities.

Market Risk: This is the possible negative impact on the operations of the Bank resulting from movements in interest and foreign exchange rates as well as movements in general market prices.

Operational Risk: This is the risk of losses resulting from inadequate or failed internal processes, people, systems and external events.

Compliance Risk: This is the risk of legal or regulatory sanctions, material financial loss or loss of reputation PBL may suffer as a result of its failure to comply with banking laws, regulations, rules, internal management directives and other codes of conduct applicable to the banking industry.

Reputation Risk: This is the risk that any negative publicity involving the Bank could damage its public image.

The risk management framework of the Bank is therefore designed to enable the Bank identify, measure, manage and control the risks mentioned above.

32.3 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 Bank of Ghana.

Liquidity risk could occur if customers suddenly withdraw more funds than expected which cannot be met from the Bank's available cash resources, from selling or pledging assets, or by borrowing funds from third parties. Liquidity risk could also occur if the Bank is unable to meet the primary reserve required by Bank of Ghana.

The main objective of PBL's liquidity risk management is to maintain sufficient liquidity to ensure safe and sound operations and also minimise the mismatch in the timing of cash flows relating to its assets and liabilities. For this reason, the Bank considers liquidity risk from three different perspectives namely structural, tactical and contingency liquidity risks.

Structural liquidity risk arises from an inability to finance the long term balance sheet on time or at a reasonable cost. Structural liquidity risk is controlled by managing the structure of assets and liabilities in the balance sheet on a going concern basis. This is aimed at achieving a sound liquidity profile through the following:

i. Maintenance of a well diversified mix of funding sources including unsecured customer deposits, long-term loans, repurchase agreements and active money market operations from wholesale funds providers;

ii. Holding a broad portfolio of high grade securities that can be used to obtain secured funding from the Repo market;

iii. Maintaining a structural liquidity gap, taking into consideration the asset mix and funding possibilities of the bank.

Tactical liquidity risk is the risk arising from the shortage of short-term cash to meet customers withdrawals or maturing obligations. It gives rise to the need for day to day liquidity management. The Treasury department is responsible for managing the day-to-day liquidity needs of the Bank while branch managers are responsible for managing daily liquidity at their respective branches.

The Treasury department measures and monitors the daily liquidity position by generating daily liquidity reports which summarises the daily cash inflows and outflows and reserve requirements and reports same to senior management.

Contingency liquidity risk relates to planning for liquidity management under stress conditions. It is the Bank's policy to have adequate and up to date contingency funding plans to help senior management to act effectively in crisis situations. Senior management assisted by the Treasurer is responsible for the activation of the Bank's liquidity risk contingency plan.

32.4 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 credit risk through well structured systems and controls which ensure that relevant committees meet to take appropriate actions with the view to controlling credit risk at various stages of the credit delivery process. The Bank pursues a prudent policy for granting credit facilities to customers.

The Bank also applies the Know Your Customer (KYC) principle when granting credit facilities to customers. In other words, credit facilities are granted to businesses whose management, integrity and expertise are known and considered acceptable by the Bank. In addition, the Bank adequately assesses the financial performance of borrowers' businesses before granting credit facilities to such businesses.

Credit facilities granted to customers, both corporate and retail, are also closely monitored on a continuing basis to uncover early warning signals of non-performance. The objective of this early warning system is to address potential problems while adequate alternatives for action are still available.

The early risk detection is a tenet of the Bank's credit culture and is intended to ensure that greater attention is paid to credit exposures in order to effectively manage such exposures and maximize loan recovery.

The Bank requires first class collateral to secure credit facilities granted to borrowers. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default. While collateral can be an alternative source of repayment, it does not mitigate or compensate for a borrowers questionable reputation.

32.5 Market Risk

Market risk is the potential for losses arising from movements in interest rates, exchange rates, equity prices and commodity prices. PBL is currently exposed to interest rate and foreign exchange rate risks with no exposure to equity or commodity price risks.

Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustment within a specified period. The Bank's lending, investment and funding activities gives rise to interest rate risk because it carries a mix of both fixed and floating rate assets and liabilities on its books that are subject to re-pricing periodically.

Potential mismatches in interest rate sensitive assets and liabilities are caused by the following:

a. Movement in market interest rate;

b. Generation of new interest rate sensitive assets and liabilities;

c. Movement of interest rate sensitive assets and liabilities from one time band to another.

The Bank employs an interest rate sensitivity model (Gap analysis) to measure and monitor interest rate sensitive assets and liabilities. The model is based on the classification of interest rate sensitive assets and liabilities into particular time bands with regards to maturity.

The Bank's interest rate risk management strategy is based on the matched - funding principle which ensures that the amount of interest rate sensitive assets is at least equal to the amount of interest rate sensitive liabilities in a particular time band.

PBL also operates a variable (floating) interest rate pricing policy in pricing its assets and to a large extent its liabilities. This allows the Bank to re-price its assets and liabilities in tandem with changes in market prices to ensure that changes in interest rates will always result in an increase in net interest income. The Bank ensures that the re-pricing structure of the balance sheet generates maximum benefits from interest rate movements.

Exchange rate risk is the potential loss of income and capital arising from movements in exchange rates of currencies in which the Bank has positions or commitments.

PBL measures its exposure to foreign exchange rate risk by using the Net Open Foreign Exchange position. The Bank, on a daily basis computes the net open position for each foreign currency for which the Bank has a position. The net open position is then stress tested against variations in the exchange rate of each of the currencies to determine the extent to which exchange rate movements can adversely affect the Bank's income statement.

The Bank manages foreign exchange risk inherent in its operations by:

a. Matching assets and liabilities denominated in the same currency to ensure that the impact of exchange rate movement on the Bank is largely positive.

b. Keeping foreign currency holdings in more stable currencies.

The Asset and Liability Committee (ALCO) and the Treasury Committee are responsible for the management of the Bank's market risk. The Risk Management Department is responsible for ensuring that the Bank's exposure to market risk is within the risk appetite levels defined by the Board. The primary responsibility for the daily monitoring and management of market risk is however, delegated to the Treasury and International Banking Departments.

32.6 Operational Risk

Operational risk is the potential for loss arising from inadequate or failed processes, people and systems, staff misconduct or from uncontrolled external events. The main operational risk drivers at the Bank include quality of controls, volume of cash flow, transactions and other operational risk measures such as cash shortages, legal expenses, system failures etc.

These risks are identified, monitored and controlled in the Bank through well designed operating procedures and controls, insurance policies, business continuity planning, internal audit and timely and reliable management reporting. Effective operational risk management leads to more stable business processes and lower operational losses.

PBL manages its operational risk by raising awareness with regards to operational losses, improving early warning information and allocating risk ownership and responsibilities to branch managers and heads of departments. The Bank's operational risk is managed through the Banking Operations Committee, IT Steering Committee and Business Strategy and Risk Management Committee.

32.7 Compliance Risk

This is the risk of legal or regulatory sanctions, material financial loss or damage to PBL's reputation as a result of failure to comply with banking laws, regulations, rules, internal management directives and other codes of conduct applicable to the banking industry. Thus, compliance risk exposes the Bank not only to damage to its public image but also to payment of fines, court orders, and suspension or revocation of operating licenses. Compliance failures can therefore have an adverse impact on the Bank's customers, staff and shareholders.

Managing compliance risk is fundamental to driving shareholder value. That is, the pursuit of a sustainable long term profits objective requires the Bank to conduct its operations in accordance with high ethical standards to reflect the relevant laws, regulatory directives and its core values of integrity, professionalism, honesty, and fairness.

The Bank has clear and accessible policies and procedures embedded in its operations to forestall possible compliance failures. These policies and procedures include a comprehensive system of internal controls aimed at ensuring continuous improvement in compliance risk management.

The Bank has a Compliance Department which focuses on managing compliance risks specific to the operations of the Bank. The responsibility of the department is to proactively identify, assess and monitor compliance risks faced by the Bank and also assist management in fulfilling its compliance responsibilities. The Compliance Department works closely with all relevant divisions and departments, especially Legal, Internal Control and Finance to ensure the robust management of the Bank's compliance risk.

33.0 CAPITAL

33.1 The Objectives of Capital Management

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

- It maintains adequate capital commensurate with the risks inherent in its operations;

- it complies with the minimum stated capital requirement of Bank of Ghana;
- it complies with the minimum Capital Adequacy Ratio required under the Banking Act;
- its operations would assure it of increasing level of profitability and shareholder value.

The achievement of the above objectives is monitored through regular performance reports submitted to the Assets and Liability Management Committee (ALCO). The primary responsibility for managing the Bank's capital lies with the ALCO and Finance and Accounts Division, which includes the Treasury Department.

33.2 Capital Description

The Bank's Regulatory Capital consists of both Tier 1 and Tier 2 capital. Tier 1 capital consists of shareholders' funds comprising stated capital, statutory reserves and income surplus. Tier 2 capital consists of subordinated term debts, convertible debentures and revaluation surpluses.

The current level of the Bank's capital complies with the existing minimum stated capital requirement of Bank of Ghana.

33.3 Compliance Status of New Stated Capital Requirement

The Bank of Ghana announced a new minimum stated capital requirement for all banks on 13 February, 2008. The minimum stated capital requirement for operating a universal banking License is GHS60 million and existing banks with foreign majority shareholding were required to attain the new capital requirement by 31 December, 2009. However, Banks with local majority ownership like PBL are expected to attain a capitalisation of at least GHS25 million by the end of December 2010 and GHS60 million by the end of December 2012.

The Board of Directors in year 2008 approved a capitalization plan; setting out how the new stated capital requirement will be met. The shareholders of PBL are committed and in a position to meet the GHS25 million requirement before the end of year 2010.

Rt. Rev. Titus Awotwe-Pratt dedicates the new Odorkor Branch.

Branch Manager, Mr. Eric Taylor welcomes Chiefs and Queen Mothers to the Bank.

The Front view of Valley View University Agency of the Bank.

Board Chairman, Mr. J.S. Addo assisted by Dr. Seth A. Laryea, President of the University to officially open the Valley View University Agency.


Relationship Officer, Miss Mary Osei explains products and service to customer.


Cape Coast Branch Manager, Eric Appau interacts with customer.

OUR BRANCH NETWORK

GREATER ACCRA REGION

RING ROAD CENTRAL BRANCH
8 Nima Avenue
Ring Road Central, Accra
Tel.: 233-302-781200/1/2/3/4/5/6/7
Fax: 233-302-781210, 773389

ACCRA BRANCH
Swanzy Shopping Arcade (Former Kingsway Building
Tel.: 233-302-671943, 678982
Fax: 233-302-678942

MAKOLA BRANCH
31st December Market
Makola, Accra
Tel.: 233-302-686638, 676639
Fax: 233-302-676640

ABOSSEY OKAI BRANCH
Cap and May House,
Ring Road West,
Accra
Tel.: 233-302-669107, 669944, 664108/9
Fax: 233-302-668126

TESANO BRANCH
Nsawam Road, Tesano
Near Tesano Police Station
Tel Nos. 233-302-258170-2, 258174
Fax No. 233-302-258173

ABEKA BRANCH
Apugu Towers
Abeka,
Tel : 233-302-220927, 220919, 220920
Fax: 233-302-220929

SPINTEX ROAD BRANCH
(Adjacent CCTC, Next to Coca-Cola Roundabout)
Spintex Road,Accra
Tel.: 233-302-814409, 814399
Fax: 233-302-812934

WEIJA BRANCH
(Opposite Phastor Contrete Works)
Accra-Winneba Road
Accra
Tel.: 233-302-853494/5
Fax: 233-302-853496

ODORKOR BRANCH
Off Accra-Winneba Road
Odorkor Traffic Light
Tel Nos. 233-302-311710, 311712, 311716
Fax No. 233-302-311716

GICEL BRANCH
Gicel Estates,
Weija, Accra
Tel.: 233-302-850174, 859175, 850176
Fax: 233-302-850173

ZONGO JUNCTION BRANCH
Oblogo Road, Opposite the Total Filling Station, Link Road
Tel Nos. 233-302-678819/24
Fax No. 233-302-678830

MADINA BRANCH
Albert House
Zongo Junction
Madina,
Accra
Tel.: 233-302-511111, 511112
Fax: 233-302-511485

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

TEMA FISHING HARBOUR BRANCH
Hillpok Yard
Tel. Nos. 233-303-207352/3
Fax No. 233-303 207357

KAAS AGENCY
KAAS Fisheries Building
Fishing Habour Road, Tema
Tel.: 233-303-200575,200576
Fax: 233-303-200577

TEMA COMMUNITY ONE BRANCH
Prudential House,
Off Krakrue Road
Commercial Area, Tema
Tel.: 233-303- 217160-2, 217140
Fax: 233-303 217137

INTERNATIONAL BANKING DEPT.
8 Nima Avenue
Ring Road Central, Accra
Tel.: 233-302-781200/1/2/3/4/5/6/7
Fax: 233-302-781194

CENTRAL REGION

CAPE COAST BRANCH
Palm House,
101/3 Commercial Street
Cape Coast
Tel.: 233-3321-31575/6
Fax: 233-3321-31576

UNIVERSITY OF CAPE COAST BRANCH
Oye Inn, Behind The Science Block
University of Cape Coast
Tel : 233-3321-35653, 35654
Fax: 233-3321-35643

WESTERN REGION

TAKORADI FISHING HARBOUR BRANCH
Takoradi Fishing Harbour
Harbour Area
Tel Nos. 233-3120-21300, 21909, 21616, 31317
Fax No. 233-3120-31371

ASHANTI REGION

KUMASI BRANCH
Cocobod Jubilee House
Adum, Kumasi
Tel.: 233-322-25667, 26210, 45426
Fax: 23-322-25917

ADUM BRANCH
Prudential Plaza,
(Formerly Unicorn House)
Adum, Kumasi
Tel.: 233-322-83814,83811/2
Fax: 233-322-83815

AFFUL NKWANTA BRANCH
Near Kumasi Children's Park
Tel No. 233-322-49450/1/2
Fax No. 233-322-49455

ABOABO BRANCH
Near The Traffic Light
Aboabo-Airport Dual Carriageway,
Kumasi,
Tel : 233-322-47350/1/2
Fax: 233-322-47357

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
67 CHEAPSIDE
1ST FLOOR
LONDON, EC2V 6AZ
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 Thirteenth (13th) Annual General Meeting of Prudential Bank Limited to be held at the Boardroom of the Head Office, No. 8, Nima Avenue, Ring Road Central, Accra, on Wednesday, 24th March, 2010, at 1pm to transact the following business:

1. To waive the statutory notice of 21 days
2. To receive and consider the Reports of the Directors, Auditors and the Accounts of the Company for the year ended 31st December, 2009.
3. To approve the remuneration of the non-executive directors.
4. To authorize the Directors to fix the remuneration of the Auditors.

And the following Special business

5. To consider and pass the following Special Resolutions.

IT IS HEREBY RESOLVED

a. "That the Bank is authorized to increase the stated capital from the current level of seven million, one hundred thousand Ghana cedis (GHS7,100,000.00) to twenty five million Ghana cedis (GHS25,000,000.00) by 31st December, 2010 and up to sixty million Ghana cedis (GHS60,000,000.00) by 31st December, 2012".

b. "That additional capital should be raised through a Renounceable Rights Issue by inviting all the existing Shareholders to contribute the additional capital in proportions equivalent to shares already held by the Shareholders and Shareholders shall pay up by 30th June, 2010. Shares renounced by Shareholders shall be given to other interested Shareholders who shall be required to pay up by 30th June, 2010. Where the existing Shareholders do not take up the shares offered, the shares shall be offered to the public through private placement".

Dated this 9th day of March, 2010.

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, PMB, G.P.O No. 8 Nima Avenue, Ring Road Central, Kanda, Accra** at least 24 hours before the appointed time for the Meeting.