

Table of contents

1 Chairman's statement

3 Managing director's report

6 Corporate governance statement

14 Financial Review

17 Directors and advisors

18 Report of the directors

20 Report of the auditors

21 Consolidated balance sheet

22 Consolidated income statement

23 Consolidated statement of changes in equity

25 Consolidated cash flow statements

26 Accounting Policies

41 Notes

75 Annexure A-Restatements

Chairman's Statement



◀ E. Asiedu-Mante
Board chairman

The Bank is well positioned to deliver its vision 3315. With 19 branches firmly in place, the Bank is poised to address the liquidity challenges that confronted it during 2008 in terms of deposit mobilization, particularly securing cheap and stable deposits in the retail banking segment.

Political review

Following a period of fervent campaigning leading up to the presidential and parliamentary elections in December 2008, and after two run offs, presidential candidate John Atta Mills of the National Democratic Congress emerged as winner. The peaceful nature of the elections marks another feather in the nation's cap as a trail blazer on the Continent. The ensuing transition of power further reduces short term political risk as it demonstrates the strength of Ghana's institutions, which are critical for the successful management of oil revenues from 2010.

Economic environment

2008 was a challenging year both at the global front and in the local economy. The worldwide financial crisis and concomitant economic recession have posed and continue to present significant challenges. The global growth has come to a virtual halt with the attendant fall in world trade. The local economy witnessed some degree of deterioration in major indicators such as the inflation rate, interest rates and both the fiscal and balance of payments deficits. Notwithstanding the challenges the economy witnessed in 2008, GDP growth of 6.2% is estimated.

The quest for a single digit inflation target by the end of December 2008 did not materialize as the inflation rate stood at 18.1% compared to 12.7% at the end of 2007. The Bank of Ghana in response to the inflationary pressures increased prime rates from 14.5% to 17.0% during the

year. Stanbic Bank's base rates were similarly adjusted from 20.5% to 27.5% to reflect these movements.

The cedi depreciated against the USD and Euro by 23.69% and 13.5% respectively, although it appreciated against the Pound by 6.41%.

In terms of outlook, the new Government has made its intentions clear of reducing the budget deficit, a condition that could see headline inflation plunging to lower levels.

Prospects

2008 witnessed a further improvement in the Bank's operating performance. Profit after tax increased by 35% from GHS 10.9million to GHS 14.7million. This is a continuation of an upward trend seen since 2006.

Assets recorded over 30% growth from GHS352million in 2007 to GHS459 million. Total shareholder funds at GHS46million represent an increase of over 70% from the 2007 figure of GHS26million.

The Bank is well positioned to deliver its vision 3315. With 19 branches firmly in place, the Bank is poised to address the liquidity challenges that confronted it during 2008 in terms of deposit mobilization, particularly securing cheap and stable deposits in the retail banking segment.



The discovery of oil in Ghana has created further opportunities in the local economy. The Bank is therefore reorganizing its Corporate & Investment Banking Unit to exploit these opportunities to the fullest extent.

With the recognition by the Group that Ghana, together with Nigeria, Kenya and Angola, are 'high growth' countries, the Bank is poised to improve its performance in the coming years.

Corporate Governance

During the year, Mr. Clive Tasker stepped down as Regional Managing Director (RMD) for West Africa and therefore director of the Bank upon his appointment as Chief Executive Officer of Standard Bank, Africa. My colleagues and I once again congratulate him on his new role within the Group.

In his place we welcomed back Mr. Dennis Kennedy who had served on the Board previously during 2000-2002. We are happy to have him with us again and look forward to continued fruitful working relations.

We were also joined by Karl Kumbier who doubles up as the Bank's Chief Operating Officer. Karl is the first occupant of that high office, and we wish him every success going forward.

We sadly said goodbye to Mr. Edward Boohene, a founding shareholder and director of the Bank. His skills and wisdom by no small measure contributed to the Bank's solid foundation and its growth to date. His soul lives on in the Boardroom and we continue to pray for his eternal rest.

Acknowledgments

I commend my colleagues on the Board for their unfailing dedication and commitment to the Bank. Together we acknowledge our treasured customers who have kept faith with us throughout the years. Once again we repeat our pledge to strive harder to serve them better.

Our shareholders who continue to support us are also worthy of a special note of appreciation. As usual the last word goes to the management and staff of the Bank who have once again provided good results. Collectively and individually I say a hearty thank you and congratulations.

You have excelled yourselves.

Emmanuel Asiedu-Mante
Chairman

Managing director's report



◀ A. Andani
Managing director

OVERVIEW

In the face of a challenging operating environment, Stanbic Bank Ghana Limited has once again demonstrated great resilience, and I am delighted to report that the Bank's performance remained strong in the year under review.

Ghana's economy weakened during 2008 with the deterioration of a number of macro-economic indices, due in part to the cost of the presidential and parliamentary elections, and as also a result of the difficult global economic situation. Inflation increased steadily from a year end ratio of 12.7% in 2007 to 18.1% in 2008. The Bank of Ghana prime rate was adjusted from 14.5% in January to 17% in December, and the Current Account deficit widened from 6% in 2007 to 13% in 2008.

Internationally, the global economy was challenged with record petroleum prices which hit US\$140pb during September although the price gradually declined to US\$40pb by December. Globally, food prices soared and the viability of many global financial institutions was called into question as the impact of the credit crunch became evident.

Once again Ghana held successful national elections with H.E. John Atta Mills of the National Democratic Congress being elected as President. It is expected that the broad economic policies of the new Government will address the fiscal and current account deficits.

STRATEGY

2008 marked the second year of the Bank's vision which seeks to make it a major top tier bank within 3 to 5 years. In line with the vision, the Bank has achieved remarkable growth in profitability and branch network expansion. Major achievements from 2006 to 2008 include:

- Cumulative Weighted Average PAT growth of 98%
- Cumulative Weighted Average Asset growth of over 83%

- Branch network increase from 4 in 2006 to 19 in 2008
- Introduction of many banking products to meet the growing requirements of customers

In 2008, the Bank continued with its significant investments in its Personal and Business Banking operations with the opening of additional branch networks, extending the capabilities of the Information Technology platform and introducing new retail products such as Internet banking, Mobile top-ups, and Home loans. The 9 additional branches give the Bank representation in 9 out of the 10 administrative regions of the country. Three new branches are at various stages of completion and are scheduled for opening in 2009.

During 2009, the Bank will focus on improving the utilization and profitability of its branches, as it completes the first stage of its expansion plans. Cross-selling which leverages on the increased footprint should enable the Bank to aggressively grow the size of its Personal and Business Banking segment.

Corporate and Investment Banking continued to perform strongly during 2008. Renewed focus on deposit mobilization helped the Bank to diversify its deposit base and reduce its deposit concentration measures. Global Markets benefited significantly from the increased deposits and was able to exploit the market volatility to achieve record profits. During 2009, the Bank will continue to pursue liquidity enhancement while strengthening its asset quality growth.

Risk management remains central to the Bank's operation. The overall credit risk management was restructured to improve independence. A Board Credit Committee was reconstituted to review the operations of the Credit Risk Management Committee (CRMC). With line reporting to the Standard Bank Africa Credit Committee, the operations of the CRMC was strengthened and the overall credit process streamlined to improve the quality of credit decisions.

Similarly, the Bank restructured the supervision of Global Markets activities with the reorganization of the back office operations to focus properly on providing the needed separation and checks over the performance of the front office.

The quality of leaders that the Bank has engaged, retained and trained since it started operations in Ghana continued to be a priority area during 2008. The Bank sponsored 38 of its managers, including members of the Executive Committee and several second line managers, to participate in training programs at the Group's Global Leadership Centre. The Bank believes that only through a strong leadership brand would it achieve and sustain its present successes. During 2009, the Bank will continue to enrich the leadership competencies through the extension of the training opportunities, and using other tested applications such as the multi-rater 360 degree feedback process.

In March 2008, the Industrial and Commercial Bank of China (ICBC) purchased 20% shares in our parent company. Given China's focus on Africa and the Group's presence across the Continent, the transaction represents a strong vote of confidence in the relationship between the two regions. It further positions the Group at the centre of growing inter-regional trade flows and affords it access to one of the largest growing economies in the world. With ICBC's current liquidity position, the acquisition allows them to identify business opportunities to expand their footprint into Africa.

PERFORMANCE

Stanbic Bank Ghana Limited made a profit after tax of GHS 14.7 million in 2008 representing a 35% increase over 2007. This strong performance was achieved despite several challenges witnessed in 2008, notable amongst which were increased costs of customer deposits which reduced margins substantially, uncertainties in the political environment which significantly affected business volumes in the last quarter of the year and greater credit risks within the heightened inflationary and currency depreciation environment.

The Standard Bank Group during the year revised its accounting policy on the treatment of staff loans. These loans are usually granted at a discount to the market with the discount being treated similarly to a discount on a below market rate loan offered to normal customers. The Bank now intends to treat this discount as an additional employee benefit to be recouped during the course of the employment of the staff to the Bank. This change in policy required the restatement of the financial numbers for prior year to ensure comparability.

The results of each of the business units showed a strong year on year growth. Personal and Business Bank recorded a strong growth of 133% in PAT, improving its relative contributions to the Bank's performance. Corporate and Investment Banking achieved a year on year PAT growth of 37%. Overall, the Bank continued on its strong growth rate trajectory.

Loans and Advances to customers grew by 24% in 2008 over 2007 while customer deposits also recorded a 23% growth over 2007. Through competitive pricing and attractive marketing, the Bank continues to witness a strong deposit inflow. Margins earned on assets continue to be under stress as the mix of customer deposits moved towards more treasury and investment funds. Return on equity for 2008 remained

strong at 41% despite showing a decrease from the revised previous year's results of 53% for 2007.

CAPITAL MANAGEMENT

During 2008, the Bank raised GHS 11 million through a rights issue towards meeting the Bank of Ghana's revised minimum paid-up capital level of GHS 60 million. The remaining balance will be raised later in 2009.

The Bank also began negotiations with the International Finance Corporation (IFC) for additional Tier II capital to help meet both the Capital Adequacy and Asset maturity profile requirements planned for 2009.

Capital Adequacy for 2008 ended at 19% as compared to 14% in 2007. The Bank continues to manage its capital adequacy levels for profitability and stability, whilst ensuring that optimal levels are maintained.

During 2008, the Bank began complying with the Basel II requirements for capital measurements in terms of Group reporting. For its local operations, the Bank of Ghana has indicated a desire to move to Basel II reporting in 2010.

2008 saw the promulgation of two important pieces of legislation, namely the Anti-Money Laundering Act and the National Pensions Act. The Anti-Money Laundering Act is particularly welcome as, among other things, it criminalizes money-laundering and terrorist financing, and establishes the Financial Intelligence Centre as the main body to assist in the fight against those crimes. This brings Ghana's laws in line with those of other dominant players in the global financial market. The National Pensions Act introduces pension reform by the introduction of a contributory three-tier pension scheme, the first two tiers of which are mandatory and the third tier being a voluntary, fully funded and privately managed personal pension scheme.

CONCLUSION

The Bank continued its brisk growth plan in 2008 achieving a number of the key milestones of its vision. The support and advice received from the Board have been very valuable in ensuring the realization of this vision. I am very thankful to my fellow directors in this regard.

I am also deeply grateful to our loyal customers who allow us to continue to serve them year after year. You are the reason we exist. Thank you for staying with us.

Finally my sincere appreciation goes to the hard-working staff of the Bank who through their dedication and commitment have taken the Bank to a higher level. Well done and keep it up, one and all!



Alhassan Andani
Managing Director

Board of directors



◀ Emmanuel Asiedu-Mante



▲ Alhassan Andani



◀ Alhaji El-Aziz Fattau



◀ Kweku A. Awotwi



Karl Kumbier ▶



◀ Joyce Aryee (Ms)



Denis Kennedy ▶

Corporate governance statement

Standard Bank Group Limited – overview

Standard Bank Group complies with the principles of the Code of Corporate Practices and Conduct (King Code). The principles of the King Code determine the standards for the Group's governance framework and practices.

Subsidiary entities within the Group are guided by these principles in establishing their respective governance frameworks, which are aligned to Group standards, in addition to meeting the relevant jurisdictional requirements in their areas of operation.

Standard Bank Africa is a division of The Standard Bank of South Africa Limited and oversees the Group's operations in Africa outside of South Africa.

Codes And Regulations

Compliance with applicable legislation, regulations, standards and codes remains an essential characteristic of the Bank's culture. The Board of Directors monitors compliance with these by means of management reports, which will include information on the outcomes of any significant interaction with key stakeholders such as the Bank's various regulators. The Bank complies with all applicable legislation, regulations, standards and codes in Ghana.

Board and Directors

Ultimate responsibility for governance rests with the Board of Directors. The Bank has a unitary Board structure and the roles of Chairman and Managing Director are separate and distinct. The Chairman is an independent non-executive director. The number and stature of independent non-executive directors ensures that sufficient independence is brought to bear on decision making.

Board composition

It is the Board's responsibility to ensure that effective management is in place to implement Bank strategy, and to consider issues relating to succession planning. The Board is satisfied that the current pool of talent available within the Bank and the ongoing work to deepen the

talent pool provide adequate succession depth in both the short and long term. During the year, the Board also considered other key people-related challenges including talent retention.

Regular interaction between the Board and executive management is encouraged. The full Board (including executive directors) meets without other management in closed sessions at each Board meeting. Employees are invited as required to make presentations to the Board on material issues under consideration.

Directors are provided with unrestricted access to management and company information, as well as the resources required to carry out their responsibilities, including external legal advice, at the Bank's expense.

A feature of the way the Board operates is the role played by Board committees which facilitate the discharge of Board responsibilities. The committees each have a Board approved mandate that is regularly reviewed. Details on how these committees operate are provided below.

Skills, knowledge, experience and attributes of directors

The Board ensures that directors possess the skills, knowledge and experience necessary to fulfil their obligations. The directors bring a balanced mix of attributes to the Board, including:

- international and domestic experience;
- operational experience;
- knowledge and understanding of both the macroeconomic and the microeconomic factors affecting the Bank; and
- financial, legal, entrepreneurial and banking skills.

Board responsibilities

The key terms of reference in the Board's mandate, which forms the basis for its responsibilities, is to ensure that the Bank is a sustainable organisation capable of fulfilling its stated objectives.

Strategy

The Board is responsible for setting the Bank's strategy, which is considered and approved together with the executive committee.

Corporate governance statement - (continued)

Once the financial and governance objectives for the following year have been agreed, the Board monitors performance on an ongoing basis. Performance against financial objectives is monitored by way of management’s reports to and representations at Board meetings.

Board effectiveness and evaluation

The Board assesses itself against its objectives by conducting an annual evaluation. The aim of the evaluation is to assist the Board in improving its effectiveness. The outcome of the evaluation is discussed at a Board meeting and any areas of concern are addressed. Relevant action points are also noted for implementation.

The performance of the Chairman and Managing Director are assessed annually.

Board meetings

The Board meets once a quarter with an additional annual meeting to consider the Bank’s budget. Ad hoc meetings are held when necessary. Board directors are provided with comprehensive Board documentation at least four days prior to each of the scheduled meetings.

BOARD OF DIRECTORS – MEETING ATTENDANCE

Member	Mar	Jun	Aug	Sept	Dec
E. Asiedu- Mante	X	X	X	X	X
A. Andani	X	X	X	X	X
C. Tasker	X	A	R	R	R
D. Kennedy	NA	NA	X	A	X
E. Boohene	X	A	A	A	D
Alhaji Fattau	X	X	X	X	X
Ms. J. R. Aryee	X	X	X	X	X
K. Awotwi	X	A	X	X	X
K. Kumbier	NA	NA	X	X	X

X – Present NA – Not yet appointed A – absent R – Resigned
D – Deceased

Board committees

As indicated, Board committees are established to assist the Board in discharging its responsibilities. They operate in terms of Board approved mandates which are reviewed and approved by the Board on an annual basis. The mandates set out their roles, responsibilities, scope of authority, composition and procedures for reporting to the Board.

Audit Committee

The Audit Committee comprises only of non-executive directors. Its mandate is to assist the Board of Directors discharge its responsibility to safeguard the Bank’s assets; maintain adequate accounting records; and develop and maintain effective systems of internal control. The Committee provides a report to the Board at each Board meeting.

Credit Committee

The Credit Committee is chaired by a non-executive director. Its mandate is to ensure that effective credit governance is in place in order to provide for the adequate management, measurement, monitoring and control of credit risk. The Committee provides a report to the Board at each Board meeting.

Communications Committee

The Communications Committee is chaired by a non-executive director. Its mandate is to assist the Board in discharging its responsibilities relative to corporate communications and image management issues. The Committee provides a report to the Board at each Board meeting.

Management Committees

Executive Committee

The Executive Committee is chaired by the Managing Director and comprises the Departmental Heads. Its main function is to assist the Managing Director to guide and control the overall direction of the business of the Bank.

Assets and Liabilities Committee

The Assets and Liabilities Committee is similarly chaired by the Managing Director and comprises other members of executive management. Its purpose is to recommend to the Board policies and guidelines under which the Bank will manage Balance Sheet growth; deposits, advances and investments; foreign ex-

Corporate governance statement - (continued)

change activities and positions; and risks associated with interest rates, exchange rates and liquidity.

Company Secretary

It is the role of the Company Secretary to ensure the Board remains cognisant of its duties and responsibilities. In addition to providing the Board with guidance on its responsibilities, the Company Secretary keeps the Board abreast of relevant changes in legislation and governance best practices. The Company Secretary oversees the induction of new directors, as well as the ongoing training of directors. All directors have access to the services of the Company Secretary.

Going concern

On the recommendation of the Board Audit Committee, the Board annually considers and assesses the going concern basis for the preparation of financial statements at the year end.

Relationships with shareholders

The shareholders' role is to appoint the external auditors and to hold the Board accountable and responsible for efficient and effective corporate governance.

Sustainability

Management of the Group's economic, social and environmental impacts and responsibilities most effectively is being systematically entrenched in its culture through the emphasis placed on the application of the Group's vision and values in all its operations.

The monitoring and reporting of sustainability issues is an evolving discipline within the Group. The Group's annual sustainability report provides comprehensive commentary on the Group's sustainability and transformation efforts, as well as key non-financial performance indicators. The report aims to present a balanced view, and disclose relevant

and material information to the Group's stakeholders.

The Group's sustainability report can be accessed on www.standard-bank.co.za. Please refer to pages 10 to 13 for the Bank's sustainability report.

Ethics and organisational integrity

Standard Bank's revised Code of Ethics was finalised at the end of 2007. This Code is designed to empower employees and enable faster decision making at all levels of our business according to defined ethical principles. It also aims to ensure that as a significant organisation in the financial services industry, the Bank adheres to the highest standards of responsible business practice.

The Code interprets and defines Standard Bank's values in greater detail and provides values-based decision making principles to guide our conduct. It is aligned with other Standard Bank policies and procedures, and supports the relevant industry regulations and laws of the countries in which the Group operates.

The Code of Ethics will be supported by the appropriate organisational structure namely an ethics advice process and an ethics reporting process. These processes will link into existing human resources and compliance structures wherever possible, including grievance processes and the fraud hotline. New structures and roles, including those of business unit ethics officers, will be created to ensure that our values and ethics are effectively embedded.

The code was rolled out in August 2008 which included targeted communications, coaching, reference guides and induction packs.

Remuneration

Remuneration philosophy

The Group's remuneration philosophy aligns with its core values, including growing our people and delivering value to our shareholders. The philosophy continues to emphasise the fundamental value of our people and their role in ensuring sustainable growth. This approach is crucial in an environment where skills remain scarce.

Corporate governance statement - (continued)

The Group's Board of Directors sets the principles for the remuneration philosophy in line with approved business strategy and objectives. The philosophy aims to maintain an appropriate balance between employee and shareholder interests.

A key success factor for the Bank is its ability to attract, retain and motivate the talent it requires to achieve its strategic and operational objectives.

Remuneration governance

The remuneration of Board members is approved in-country and reviewed by the Group remuneration committee ("remco"). The remuneration of Executive Management in these countries is reviewed and, in some instances, approved by remco.

The following key factors have informed the implementation of reward policies and procedures that support the achievement of business goals:

- the provision of rewards that enable the attraction, retention and motivation of employees and the development of a high performance culture;
- maintaining competitive remuneration in line with our markets, trends and required statutory obligations;
- rewarding people according to their contribution;
- allowing a reasonable degree of flexibility in remuneration processes and choice of benefits by employees;
- moving to a cost-to-company remuneration structure; and
- educating employees on the full employee value proposition.

Remuneration structure

Non-executive directors

Terms of service

Going forward, all non-executive directors will be provided with a letter of appointment setting out the terms of their engagement.

In terms of the Regulations, non-executive directors are required to retire at 65.

Directors are appointed by the existing directors. In addition, one third of the non-executive directors is required to retire at each Annual General Meeting and may offer themselves for re-election.

There is no limitation to the number of times a non-executive director may stand for re-election.

Fees

Non-executive directors receive fixed fees for service on Boards and Board committees. This includes a retainer that has been calculated in line with market practices. There are no contractual arrangements for compensation for loss of office. Non-executive directors do not receive short-term incentives, nor do they participate in any long-term incentive schemes.

The following amount represents the total remuneration paid to executive and non-executive directors for the year under review:

Total amount paid	GHS
Directors (executive and non-executive)	425,016

Managing director

The Managing Director receives a remuneration package and qualifies for long-term incentives on the same basis as other employees. The components of his package are as follows:

- guaranteed remuneration – based on his market value and the role that he plays;
- annual bonus and pension incentive – used to incentivise the achievement of stated objectives;
- share-based incentives – rewards the sustainable creation of shareholder value and aligns behaviour to this goal; and
- pension – provides a competitive post-retirement benefit in line with Group employees.

He is not subject to a retention agreement.

Management

Terms of service

The terms and conditions of employment of managers are guided by the legislation in-country and are aligned to Group practice. Notice periods are one month.

Fixed remuneration

Managerial remuneration is either based on, or moving towards, a total cost-to-company structure. Cost-to-company comprises a fixed cash portion, compulsory benefits (medical aid and retirement fund membership) and optional benefits. Market data is used to benchmark salary levels and benefits. Salaries are normally reviewed annually in March.

For all employees, performance-related payments have formed an increasing proportion of total remuneration over time to achieve business objectives and reward individual contribution.

Corporate governance statement - (continued)

All employees (executives, managers and general staff) are rated on the basis of performance and potential and this is used to influence performance-related remuneration. Rating and the consequent pay decision is done on an individual basis. There is therefore a link between rating, measuring individual performance and reward.

Short-term incentives

Executives and managers participate in a performance bonus scheme. Individual awards are based on a combination of business unit performance, job level and individual performance. In keeping with the remuneration philosophy, the bonus scheme seeks to attract and retain high-performing managers.

Long-term incentives

It is essential for the Group to retain key skills over the longer term. This is done particularly through share-based incentive plans. The purpose of these is to align the interests of the Group, its subsidiaries and employees, as well as to attract and retain skilled, competent people.

Post-retirement benefits

A pension payout is the most common post-retirement benefit. Post-retirement medical aid subsidies may continue from the employer, usually for a limited period.

General staff

Terms of service

The notice period for general staff is one month. Most general staff are unionised. Their terms and conditions of employment are therefore guided by the respective collective agreement(s).

Fixed remuneration

Remuneration of all general staff is based on a basic salary plus benefits, which generally includes medical aid, retirement fund membership, housing benefits and a travel allowance for select levels. Generally, salary increases are negotiated on an annual basis, usually effective in March. Salary increases are based on similar factors as those considered when reviewing managerial staff increases.

Post-retirement benefits

Post-retirement benefits for general staff are principally the same as for managers. Refer to the section dealing with managers above for an

outline of these benefits.

2.5 Sustainability report

Introduction - Standard Bank Group's sustainability journey

The aim of a sustainability report is to provide a balanced view of material information, not only financial, to a broad stakeholder base. The institutions that were instrumental in encouraging companies in South Africa to report on their triple bottom line (economic, social and environment) and in providing reporting guidelines were the Code of Corporate Practices and Conduct (King Code) and the Global Reporting Initiative (GRI).

The King Code sets out standards and principles of good corporate governance, including triple bottom line while the GRI sets out a framework and guidelines for companies that produce sustainability reports. The GRI guidelines include governance, economic, social and environmental indicators.

The Group began its sustainability journey in 2002 when it included information on its triple bottom line in its annual report, and it has utilised the GRI reporting guidelines since 2002.

From the outset, the Group used the stakeholder format to compile its sustainability report. The stakeholders included were: shareholders, customers, employees, suppliers, regulators and society and the environment. Extensive research on international banks' sustainability reports in 2008 has shown a trend towards reporting on material issues and the Group Executive Committee approved this approach for the 2008 sustainability report. In determining what material issues the Group will be reporting on, the business units were engaged and asked to present their key material issues. Standard Bank Africa's material issues include power/Infrastructure, HIV/AIDS, legal systems, agriculture and reliance on oil and other resources.

Other material issues relevant to the Group include consumer indebtedness, IT systems, leadership and development, employee relations, compensation & benefits, employee wellbeing, climate change, regulatory changes, decentralized procurement, ethical procurement and corporate social investment.

Corporate governance statement - (continued)

Highlights for 2008:

- Opened 9 new branches
- Sponsored the Cup of African Nations
- 38 employees attended the Global Leadership Centre
- GHS453,191.82 was spent on corporate social investment initiatives

Bank snapshot

	2008	2007
Branches	19	10
ATMs	19	10
Headcount	376	240
CSI spend	GHS 453,191.82	GHS256,876

Our stakeholders

Shareholders

Delivering to our shareholders – We understand that we earn the right to exist by providing appropriate long-term returns to our shareholders. We try extremely hard to meet our various targets and deliver on our commitments.

As our existing and prospective shareholders are providers of capital to the Bank, we are responsible for providing them with reliable, relevant and timely information to help them make informed investment decisions. Our shareholder base is diverse, including individual and institutional shareholders both locally and internationally. To ensure effective and meaningful shareholder engagement we have developed various communication channels to meet different shareholders’ information needs, and to manage shareholder expectations positively and transparently.

Customers

Serving our customers – We do everything in our power to ensure that we provide our customers with the products, services and solutions to suit their needs provided that everything we do for them is based on sound business principles.

Our customers range from individuals and small businesses to large corporates. Sustainable business performance depends on our ability to engage meaningfully with our customers, to be sensitive to their different needs and to provide relevant products and services. The Group’s operations across Africa and the world create diverse challenges for the Group from cultural, regulatory and technological perspectives. Extensive research is conducted to better understand customer needs and market dynamics.

Employees

Growing our people – We encourage and help our people to develop to their full potential, and measure our leaders on how well they grow and challenge the people they lead.

The Bank is committed to creating a compelling employee value proposition. We firmly believe that our long-term sustainability is dependent on meeting our employees’ expectations around remuneration, challenging assignments, fair employment practices, career development as well as wellness and lifestyle support.

Our leaders will continue to play a central role in ensuring that our employees are prepared for future challenges, and that they remain inspired and motivated to make a real difference to our customers.

The Bank’s recruitment philosophy is to hire locally and this is applied throughout our operations worldwide. We will only hire foreign employees when necessitated by an existing local skills shortage or for specialist positions. We are required to demonstrate that all reasonable steps are taken to source talent locally, before hiring from other countries.

Global Leadership Centre

The Global Leadership Centre (GLC) was opened in 2006 in Johannesburg, South Africa and is the focal point for the Group’s leadership development programmes, and allows us to:

Corporate governance statement - (continued)

- Share and learn from best practices globally;
- Sharpen our focus on being globally competitive; and
- Explore opportunities to grow our business in developed and emerging markets.

Instruction is offered by a faculty of professors and industry experts from around the world. They bring expertise on leadership, competitive strategy and doing business in emerging markets to support the development of our leaders in these areas. In addition, members of the Group executive team participate as co-lecturers, discussion group participants and panel members, to share their knowledge and views with the programme delegates.

In all, 38 managers attended the course at the GLC. Feedback from them attests to the excellent nature of the facilities available and instruction received.

Multi-Rater

The Multi-Rater performance management tool has been developed to evaluate our managers' personal and interpersonal behavioural competencies, with a specific focus on leadership skills. The tool requires each manager to select relevant individuals to provide confidential feedback on their performance.

The tool was used in 2007 and 2008, and the results were incorporated into the final performance evaluation of all our leaders and to inform their development needs.

Health Risk Management

In 2008, a free E-care service was launched in the Bank to provide a wide range of health related information. All employees will be able to access this service through the Intranet. The service will enable employees to engage online with specialists such as doctors, pharmacists, physiotherapists, personal trainers and nutritionists, with all queries being responded to within 24 hours.

Independent Counselling and Advisory Services

Independent Counselling and Advisory Services confidentially assists and supports employees and their immediate families with many personal issues including stress management, trauma, HIV/Aids, divorce, bereavement and legal issues.

The Bank receives an individual report for staff in-country and Standard Bank Africa receives a combined report on what issues are prevalent across the Continent. This will enable the Bank to plan the required interventions.

Regulators

Being proactive – We strive to stay ahead by anticipating rather than reacting, but our actions are always carefully considered.

We view regulatory compliance not only as a requirement by law, but also as one of the key components of sustainable development. The Bank of Ghana is our primary regulator and supervisor, and the relationship is one of mutual trust built through regular and open communication. Various other supervisory bodies also monitor our compliance with specific pieces of legislation.

The Bank of Ghana undertakes an annual inspection, following which it produces a report on its findings. This report is first prepared in draft form and discussed at a meeting with the Bank's Executive Committee. When the final report is produced, it is tabled before the directors together with management's responses on the findings.

Suppliers

Working in teams – We and all aspects of our work are interdependent. We appreciate that, as teams, we can achieve much greater things than as individuals. We value teams within and across business units, divisions and countries.

The procurement optimisation initiative was successfully launched in 8 African operations outside of South Africa. The procurement strategy has also been revised during the year to align with the newly envisioned operating model for Group banks outside of South Africa.

The SAP procurement and inventory management system has been rolled out in 14 countries outside of South Africa. The system previously in use only allowed for material, purchasing and inventory management and did not include individual buying or requisitioning

Corporate governance statement - (continued)

functionalities. A full SAP rollout is planned for 2009 which will enable an integrated end-to-end procurement system. This will allow prompt decision-making while encouraging accountability, flexibility, innovation, speed and a culture of continuous improvement in managing our supplier base.

Community

We will ensure long-term sustainability by harmonising the needs of our customers, our people and our shareholders and by being relevant to the societies in which we operate.

It makes sense for us to invest in the communities in which we operate as healthy and economically active communities have a direct impact on our long-term business growth. As our stakeholders live and work in the communities in which we operate, it follows that by supporting and investing in the wellbeing of these communities, the Bank is investing in its own sustainability.

Stanbic Ghana supports local communities through corporate social investment and encourages employee participation in community investment through structured opportunities as well as matching personal donations made by employees to social development. Sponsorships complement and enhance our brand and help to build positive relationships with all stakeholder groups. They also demonstrate our commitment to the development of sports and the arts in the communities in which we operate.

Environment

We have the highest regard for the dignity of all people. We respect each other and what Standard Bank stands for. We recognise that there are corresponding obligations associated with our individual rights.

As a provider of financial services, the Group has a responsibility and an opportunity to promote sustainable development in areas where it has an influence. For instance, project financing operations can potentially indirectly expose the Bank to material environmental and social

impacts. While customers are directly responsible for managing these impacts, the Bank must protect its assets and reputation by selecting customers and allocating capital responsibly. The ongoing challenge is to maintain the balance between meeting our customers' needs and protecting our assets.

The Group has embarked on a project aimed at improving the management of the environmental risks we face in the African countries in which it operates. A review of the nature and scope of the environmental risks in each African country is being undertaken. This involves reviewing the environmental laws in place and the current levels of enforcement in each instance. Other factors such as the extent of significant environmental events, levels of press coverage, non-governmental organisational activity, levels of environmental interest being shown by the United Nations Environmental programme and global financial institutions such as the World Bank, as well as International Finance Corporation standards are also being used, in conjunction with the legislative and enforcement assessment, to create a risk profile for each country. This will allow the Group to prioritise the roll out of environmental management measures and standards for each country. These management tools will be aimed at assisting each country to understand and manage environmental risks in transactions being considered.

Equator Principles

In December 2008, the Group's Board of Directors approved the adoption of the Equator Principles. This represents a significant step in realising our commitment to socially responsible and sound environmental management.

The Equator Principles are a set of standards for managing social and environmental issues in project finance. As a signatory to the Equator Principles we are bound to ensure that the customers to whom we lend capital evaluate and actively avoid, manage or mitigate the social and environmental impacts of the projects for which they require financing. Applying the Equator Principles to our project financing will result in a number of associated benefits, including:

- Improved environmental and social risk management with an anticipated benefit to long-term investment performance;
- Improved relationships with stakeholders and reputation;
- Addressing social and environmental impacts more systematically and accountably;
- Increased potential for partnerships that address impacts on the environment and provide environmental and social benefits to

Corporate governance statement - (continued)

affected communities;

- Increased opportunity for being the lead arranger in large syndicated project finance loans; and
- Increased business opportunities in the international project finance arena.

Material issues facing the Bank

There are no material issues facing the Bank.

Looking ahead

We will:

- Continue to provide accurate and relevant information to shareholders and potential shareholders to enable them to make informed investment decisions.
- Ensure that our anti-money laundering and terrorist financing policy and procedures are in compliance with the Anti-Money Laundering Act, 2007 and reflective of international standards, and is complied with across the Bank.
- Continue to guard against market abuse and conflicts of interest activities.
- Facilitate a governed process of procuring goods and services from qualified and accredited suppliers.
- Ensure our corporate social investment spend has commercial and social relevance.
- Implement and monitor control measures to mitigate risks and environmental impacts.

Financial Review

Overview of financial results

The financial results for 2007 have been restated as explained in the basis of preparation paragraph in the Accounting policies section of the Annual Financial Statements. Changes to the prior year comparative financial results have been reflected in the results for 2007.

The Bank during 2008 significantly extended its branch network almost doubling its retail network by the end of the year. Profit after tax for the Bank grew by 35% on 2007 with a return on equity of 41%. During the year, the Bank issued additional shares by way of a right's issue increasing its ordinary share capital by over 150% during the last quarter of the year. This capital injection is in furtherance of the Bank of Ghana's requirement for all Bank's to achieve a minimum paid up share capital of GHS 60 million by the end of 2009. Despite the significant increase in shareholder's funds, earnings per share for the year increased by 32% in comparison with prior year to 19.64 pesewas. Total assets recorded a 30% growth over 2007.

2008 was overall a very difficult year across the global. What started as a sub-prime problem quickly engulfed many financial institutions putting the global banking industry at a risk. In Ghana, the economic situation was similarly difficult. An increase in government expenditure increased the current account deficit to over 13% during 2008. Inflation and exchange rates were adversely affected driving up the cost of business. According to the Bank of Ghana, the banking industry remained healthy within the year with an increase in competition which affected the cost of funds significantly during the year. Under these conditions, the Bank continued to record strong growth achieving record profits

Financial Highlights

	2008	2007
Return on equity (%)	41%	53%
Profit after tax (GHS ' 000)	14,750	10,908
Profit after tax growth (%)	35%	194%
Earnings per share (GHp)	19.64	14.90
Earnings per share growth (%)	33%	192%
Net interest margin (%)	8%	7%
Cost-to-income ratio (%)	51.4%	48.3%
Credit loss ratio (%)	1.72%	0.32%

Key factors impacting the results

- Strong growth in Non-Interest Revenue . Non-interest revenue during the year increased by 84% over the previous year. Of the growth in non-interest revenue, trading revenue showed the strongest growth benefiting from the volatility in the exchange rate market and strong investor interest in government financial instruments. Trade and other over the counter transactional fees improved in line with the growth in the number of branches and customers over the year.
- Sustained Net interest margin Despite the growth in the average cost of funds the Bank was able to improve net interest margin to about 8% through appropriate pricing of the loans and advances portfolio. Net interest income increased by 70% during the year.
- Increase in credit impairment charges Credit impairments increased during the year as a number of corporate accounts became impaired. This was expected in the difficult operating environment experienced during the year that the credit quality of a number of these accounts would deteriorate. The Bank however stepped up its credit management activities to improve on its response to early signs of distress on its loan portfolio to improve the opportunities for taking proactive measures.
- Continued reliance on wholesale funding With the increased competition in the market, the Bank continued to rely on treasury deposits and other investment deposits to fund its liquidity needs. This had a significant impact on the cost of the Bank's deposits. It is expected the expansion in retail network made during the year would begin to benefit the Bank by increasing the size of customers transactional accounts which is much lower priced.

Business Units

The major business units of the Bank remain as the Corporate & Investment Banking and Personal and Business Banking. Earnings during the year among the business units is distributed as follows: Corporate & Investment Banking 71% (2007: 84%); Personal & Business Banking 29% (2007: 16%) Corporate & Investment Banking earnings grew by 36%. With the increasing cost of business, Corporate and Investment Banking increased less risky assets

Financial Review - (continued)

and focused on improving the overall liquidity ratios of the Bank. Revenue growth was achieved through better pricing for risk and strong growth in non-interest revenue. Trading income was the strongest revenue growth line increasing by 161%. Strong investor purchases of government bonds improved the forex inflows to the Bank at favorable margins. Fees and commissions income benefited from the increases in the cost of energy imports which improve the overall value of trade. Telegraphic Transfers improved with the increasing value of transactions. Credit impairments were much more than expected increasing the value of non performing loans. The recovery efforts for these poor performing advances were therefore intensified. The Bank expects to see strong recoveries on these accounts. Operating expenses increased by 72% over prior year. Network expansions with its complementary headcount were the major investments behind the increase in operation expenses.

Personal & Business Banking grew during the year by 198% over 2007. With an increase in the number of branches from 10 in 2007 to 19 by the end of 2008 coupled with increased utilization of the new branches opened during 2007, Personal & Business Banking experienced strong increases in all revenue lines. Net interest revenue was 165% strong than prior year and non-interest revenue recorded an 80% growth. Credit impairments ended the year as a recovery following the changes made in the accounting policies discussed earlier in the report. Operating expenses also grew over 100% in line with the growth of staff compliment and the expansion of the branch network.

Capital adequacy

Capital adequacy ratios ended the year much better than the operational targets. The Bank aims to operate under capital adequacy ratios that adequately support its rapid asset growth, meet regulatory requirements for business risks and support the efficient returns of shareholders investments. With the late introduction of additional capital, the Bank ended the year with a much higher capital adequacy ratio than its benchmark target of 13%. The Bank expects that this ratio would decline in subsequent years as additional assets are acquired.

Regulatory capital

The Bank is subject to regulation and supervision by the Bank of Ghana. The Bank is also subject to the higher capital requirements of both the Bank of Ghana and the South Africa Reserve Bank as the parent company of the Bank is registered in South Africa. Generally, banking regulations reflects the guidelines of the Basel Committee under the auspices of the Bank for International Settlements.

The capital adequacy ratio is a measure of the capital strength of the entity and is calculated as a ratio of capital to the risk-weighted assets.

Capital is defined by the Bank of Ghana in two categories namely Tier I (primary capital) and Tier II (secondary capital). Tier I capital represents permanent forms of capital such as share capital, retained earnings and perpetual non-cumulative preference shares. Tier II capital includes medium to long-term subordinated debt, and revaluation reserves. Benefits of Tier II can only be utilized up to 50% of Tier I capital for capital adequacy purposes.

Risk weighted assets are determined by applying prescribed risk ratings to on- and off-balance sheet exposures.

The Bank uses non-equity forms of capital as part of its capital management process:

- An amount of US\$ 8 million subordinated debt was raised by the bank in 2007.
- In 2008, the Bank began discussions with the International Finance Corporation to raise additional subordinated debt financing of US\$ 5 million. The Bank expects to finalize the funding arrangement within 2009.

Capital adequacy ratios

The capital adequacy ratio increased during the year from 14% to 19% in 2008 as a result of the injection of additional shareholder funds during the year.

Basle II

The Bank of Ghana has communicated that banks would be required to adopt Basle II capital regime from January 2010. Standard Bank Group commenced full adoption of the Basle II capital regime from January 2008. During 2009, the Bank would continue preparing towards full reporting of the Basle II capital adequacy framework.

Increase in minimum paid up share capital for banks

The deadline for Bank's without majority local shareholders to meet the minimum paid up capital of GHS 60 million is 2009. In line with meeting this deadline, the Bank through a rights issue raised additional capital of GHS 11 million. The Bank expects that the difference can be made through retained earnings. Any shortfall on retained earnings would be made up with additional shareholder capital infusion.

Executive management

▶ **Darryl Poonan**
Head, Operations



◀ **Alhassan Andani**
Managing Director



◀ **Philip Ofori-Asante**
Head, Corporate Banking



◀ **Francis Owusu-Achampong**
Head, Risk



◀ **Victor Yeboah-Manu**
Head, Finance



◀ **George Mensah**
Head, Information Technology



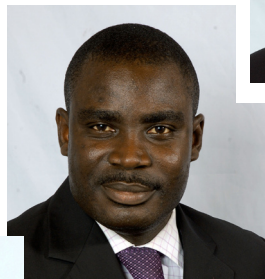
◀ **Karl Kumbier**
Chief Operating officer



▲ **George Versfeld**
Head, Personal and Business Banking.



◀ **Kwasi Antwi-Agyekum**
Head, Internal Audit



▲ **Bernard Gyebi-Head**
Head, Credit



▲ **Sadia Chinery-Hesse**
Head, Legal/Board Secretary



◀ **Samuel Allotey**
Head, Human Resource

▲ **Sadia Chinery-Hesse**
Head, Legal/Board Secretary



◀ **Mawuko Afadzinu**
Head, Marketing and Public Affairs



▲ **Samuel Botchway**
Head, Investment Banking



◀ **Inusah Musah**
Head, Global Market



▲ **Kojo Aboagye-Debrah**
Executive Assistant to MD and Business Development Manager

Directors and advisors

Board of Directors	E Asiedu-Mante	(Chairperson)
	A. Andani	(Managing)
	C. R. Tasker	(Appointed 5th March 2008, Resigned 25th August 2008)
	D. W. Kennedy	(Appointed 27th August 2008)
	E H Boohene	(Died 7th October 2008)
	Alhaji El-Aziz Fattau	
	J. R. Aryee (Ms)	
	K. A. Awotwi	
K. R. Kumbier	(Appointed 27th August 2008)	

Secretary	Mrs S Chinery-Hesse Stanbic Bank Ghana Ltd VALCO Trust House Castle Road Ridge Accra
-----------	-----------------------------------------------------------------------------------------------------

Auditor	PricewaterhouseCoopers Chartered Accountants Una Home PMB CT 42 Cantonments, Accra
---------	------------------------------------------------------------------------------------------------

Solicitors	Messrs Bentsi-Enchill & Letsa 1st Floor, Teachers Hall Annex Education Loop Accra
------------	--------------------------------------------------------------------------------------------

Messrs Reindorf Chambers
61 Jones Nelson Rd
Adabrako
Accra

Registered Office	VALCO Trust House Castle Road Ridge Accra
-------------------	----------------------------------------------------

Report of the directors

The directors submit herewith their report and the audited consolidated financial statements for the year ended 31 December 2008.

Statement of Directors' Responsibilities

The directors are responsible for the preparation of consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss and cash flows for that period. In preparing these financial statements the directors have selected suitable accounting policies and then applied them consistently, made judgments and estimates that are reasonable and prudent and followed International Financial Reporting Standards and complied with relevant requirements of the Companies Code, 1963 (Act 179).

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

Principal Activity

The principal activities of the Group are commercial banking, investment banking, asset management and investment management services. There was no change in the principal activities of the Group during the year.

Holding Company

The Bank is a subsidiary of Stanbic Africa Holdings Limited, a company incorporated in the United Kingdom, which holds 97.85% (2007: 97.53%) of the issued shares of the Bank.

Subsidiary Company

The Bank has a wholly owned subsidiary, Stanbic Investment Management Services Limited. The results of the subsidiary entity have been included in these consolidated financial statements.

Results for the Year

The consolidated income statement, consolidated balance sheet and cash flow statements that are contained in this report reflect the results and the state of affairs of the Group as at 31 December 2008.

Dividend

The directors do not recommend the payment of a dividend.

Auditors

The directors recommend that PricewaterhouseCoopers continue in office, in accordance with section 134 (5) of the Ghana Companies Code, 1963 (Act 179).

Directors

The names of persons who were directors of the Bank at any time during the year are disclosed on page 18.

By Order of the Board

Director



Director



26 February 2009

Report of the auditors

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STANBIC BANK GHANA LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Stanbic Bank Ghana Limited ("the Bank") and its subsidiary (together, the Group) set out on pages 21 to 74. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standard, the requirements of the Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an independent opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 accompanying consolidated financial statements give a true and fair view of the financial position of the Bank and Group as at 31 December 2008, and of the financial performance and cash flows of the Bank and the Group for the year then ended in accordance with International Financial Reporting Standards, and comply with the Companies Code, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

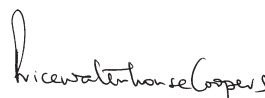
Report on other legal requirements

The Companies Code, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books; and
- iii) the consolidated balance sheet and consolidated income statement are in agreement with the books of account

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

- i) we were able to obtain all the information and explanation required for the efficient performance of our duties as auditors;
- ii) in our opinion, the accounts give a true and fair view of the state of affairs of the Bank and of its results for the year under review; and
- iii) in our opinion, the Bank's transactions were within its powers.



Chartered Accountants
Accra

PRICEWATERHOUSECOOPERS

Consolidated balance sheet at 31 December 2008

	Note	Group		Bank	
		2008 GHS ('000)	2007 ¹ GHS ('000)	2008 GHS ('000)	2007 ¹ GHS ('000)
Assets					
Cash and balances with central bank	2	47 736	39 097	47 708	39 097
Derivative assets	3	3 764	359	3 764	359
Trading assets	4	17 714	24 565	17 714	24 565
Pledged assets	5	6 400	6 000	6 400	6 000
Financial investments	6	52 433	14 282	52 433	14 282
Loans and advances		287 717	241 277	287 717	241 277
Loans and advances to banks	7	46 483	46 157	46 483	46 157
Loans and advances to customers	7	241 234	195 120	241 234	195 120
Deferred taxation	15	3 566	837	3 566	837
Other assets	8	25 854	20 440	25 848	20 440
Interest in group companies	9	-	-	160	160
Intangible assets	10	377	185	365	185
Property and equipment	11	13 437	5 166	13 437	5 166
Total assets		458 998	352 208	459 112	352 368
Equity and liabilities					
Equity					
Ordinary share capital	12	18 325	7 322	18 325	7 322
Reserves		27 371	18 813	27 337	18 813
Liabilities		413 302	326 073	413 450	326 233
Derivative liabilities	3	2 982	494	2 982	494
Trading liabilities	13	16 779	43 198	16 779	43 198
Deposit and current accounts	14	369 745	266 041	369 905	266 201
Deposits from banks	14	73 785	24 642	73 785	24 642
Deposits from customers	14	295 960	241 399	296 120	241 559
Current taxation	23	850	69	850	69
Deferred taxation	15	448	229	448	229
Other liabilities	16	12 672	7 881	12 660	7 881
Subordinated debt	17	9 826	8 161	9 826	8 161
Total equity and liabilities		458 998	352 208	459 112	352 368

¹ 2007 figures restated, refer Annexure A - restatements.

The financial statements on pages 21 to 74 were approved by the board of directors on 26 February 2009 and signed on its behalf by:

Director:



Director:



The accounting policies and notes on pages 26 to 74 form an integral part of the financial statements

Consolidated income statement for the year ended 31 December 2008

	Note	Group		Bank	
		2008 GHS ('000)	2007 ¹ GHS ('000)	2008 GHS ('000)	2007 ¹ GHS ('000)
Net interest income		30 578	17 897	30 577	17 897
Interest income	21.1	50 330	26 171	50 329	26 171
Interest expense	21.2	19 752	8 274	19 752	8 274
Non-interest revenue		22 001	11 964	21 967	11 964
Net fee and commission revenue		10 759	7 881	10 725	7 881
Fee and commission revenue	21.3	11 390	7 982	11 356	7 982
Fee and commission expense	21.4	631	101	631	101
Trading revenue	21.5	11 229	4 078	11 229	4 078
Other revenue	21.6	13	5	13	5
Total income		52 579	29 861	52 544	29 861
Credit impairment charges	21.7	4 540	527	4 540	527
Income after credit impairment charges		48 039	29 334	48 004	29 334
Operating expenses		27 020	14 432	27 018	14 432
Staff costs	21.8	12 713	7 231	12 713	7 231
Other operating expenses	21.9	14 307	7 201	14 305	7 201
Net income before indirect taxation		21 019	14 902	20 986	14 902
Indirect taxation	23.1	1 018	197	1 018	197
Profit before direct taxation		20 001	14 705	19 968	14 705
Direct taxation	23.2	5 251	3 797	5 251	3 797
Profit attributable to ordinary shareholder		14 750	10 908	14 717	10 908
Basic and diluted earnings per share (Ghana pesewas)	24	19.64	14.90	19.60	14.90

¹ 2007 figures restated, refer Annexure A - restatements.

The accounting policies and notes on pages 26 to 74 form an integral part of the financial statements

Consolidated statements of changes in equity for the year ended 31 December 2008

Group	Ordinary share capital	Available-for-sale reserve	Statutory Reserves	Income Surplus Account ¹	Other Reserves	Total equity
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Restated balance at 1 January 2008	7 322	438	6 565	11 485	325	26 135
Items directly accounted for in reserves	-	(2 605)	3 965	(3 965)	(3 587)	(6 192)
Fair value adjustments	-	(2 605)	-	-	(3 587)	(6 192)
Statutory reserves	-	-	3 965	(3 965)	-	-
Issue of share capital	11 003	-	-	-	-	11 003
Attributable earnings for the year	-	-	-	14 750	-	14 750
Balance at 31 December 2008	18 325	(2 167)	10 530	22 270	(3 262)	45 696
Balance at 1 January 2007	7 322	538	4 119	2 991	357	15 327
Items directly accounted for in reserves	-	(100)	2 446	(2 414)	(32)	(100)
Fair value adjustments	-	(100)	-	-	-	(100)
Transfer to statutory reserves	-	-	-	32	(32)	-
Statutory reserves	-	-	2 446	(2 446)	-	-
Restated attributable earnings for the year	-	-	-	10 908	-	10 908
Balance at 31 December 2007	7 322	438	6 565	11 485	325	26 135

¹ 2007 figures restated, refer Annexure A - restatements.

All balances are stated net of applicable tax.

Consolidated statements of changes in equity for the year ended 31 December 2008

Bank	Ordinary share capital	Available-for-sale reserve	Statutory Reserves	Income Surplus Account ¹	Other Reserves	Total equity
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Restated balance at 1 January 2008	7 322	438	6 565	11 485	325	26 135
Items directly accounted for in reserves	-	(2 605)	3 965	(3 965)	(3 588)	(6 193)
Fair value adjustments	-	(2 605)	-	-	(3 588)	(6 193)
Statutory reserves	-	-	3 965	(3 965)	-	-
Issue of share capital	11 003	-	-	-	-	11 003
Attributable earnings for the year	-	-	-	14 717	-	14 717
Balance at 31 December 2008	18 325	(2 167)	10 530	22 237	(3 263)	45 662
Balance at 1 January 2007	7 322	538	4 119	2 991	357	15 327
Items directly accounted for in reserves	-	(100)	2 446	(2 414)	(32)	(100)
Fair value adjustments	-	(100)	-	-	-	(100)
Transfer to statutory reserves	-	-	-	32	(32)	-
Statutory reserves	-	-	2 446	(2 446)	-	-
Restated attributable earnings for the year	-	-	-	10 908	-	10 908
Balance at 31 December 2007	7 322	438	6 565	11 485	325	26 135

¹ 2007 figures restated, refer Annexure A - restatements.

All balances are stated net of applicable tax.

Consolidated cash flow statement for the year ended 31 December 2008

	Note	Group		Bank	
		2008 GHS ('000)	2007 ¹ GHS ('000)	2008 GHS ('000)	2007 ¹ GHS ('000)
Cash flows from operating activities					
Net cash flows from operations		(1 661)	60 473	(1 689)	60 633
Net cash flows from operating activities	25.1	29 189	15 019	29 156	15 019
Cash receipts from customers	25.2	73 154	35 816	73 119	35 816
Cash paid to customers, employees and suppliers	25.3	(43 965)	(20 797)	(43 963)	(20 797)
Net cash flows from operating funds		(25 208)	49 143	(25 203)	49 303
Increase in income-earning assets	25.4	(60 064)	(135 035)	(60 059)	(135 035)
Increase in deposits and other liabilities	25.5	34 856	184 178	34 856	184 338
Direct taxation paid	25.6	(5 642)	(3 689)	(5 642)	(3 689)
Cash flows from investing activities					
Net cash used in investing activities		(40 456)	(30 378)	(40 456)	(30 538)
Purchase of investments		(66 398)	(35 926)	(66 398)	(35 926)
Proceeds from sales of investments		36 740	9 924	36 740	9 924
Capital expenditure on					
- equipment, furniture and vehicles		(10 588)	(4 172)	(10 588)	(4 172)
- intangible assets		(227)	(213)	(227)	(213)
Proceeds from sales of - vehicles		17	9	17	9
Net increase in investment in subsidiary		-	-	-	(160)
Cash flows from financing activities					
Net cash flows from financing activities		11 003	7 969	11 003	7 969
Proceeds from issue of shares	25.7	11 003	-	11 003	-
Net increase in subordinated debt		-	7 969	-	7 969
Net (decrease)/increase in cash and cash equivalents		(31 114)	38 064	(31 142)	38 064
Cash and cash equivalents at beginning of the year		69 969	31 905	69 969	31 905
Cash and cash equivalents at end of the year		38 855	69 969	38 827	69 969

¹The 2007 cash flow statement has been restated for the consequences of the reclassifications set out in Annexure A - restatements.

The accounting policies and notes on pages 26 to 74 form an integral part of the financial statements

Accounting policies

Accounting policies

The principal accounting policies applied in the presentation of the financial statements are set out below.

1. Reporting entity

Stanbic Bank Ghana Limited (the Bank) and its wholly owned subsidiary (together, the Group) is a financial services provider engaged in Corporate and Investment Banking, Personal and Business Banking, Asset Management and Investment Management Services.

The Bank is a limited liability company incorporated and domiciled in Ghana. The address of its registered office is Valco Trust House, Castle Road, Ridge, Accra.

2. Basis of preparation

The consolidated and Bank financial statements ('financial statements') are prepared in accordance with, and comply with International Financial Reporting Standards (IFRS) and The Companies Code, 1963 (Act 179), The Banking Act, 2004 (Act 673) and the Banking Amendment Act, 2007 (Act 738). The financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the revaluation of financial instruments classified as available-for-sale, financial assets and liabilities held at fair value through profit or loss, and investment property.

The Group has made the following accounting policy elections in terms of IFRS, with reference to the detailed accounting policies shown in brackets:

- transactions with minority shareholders are treated as transactions with equity owners and accounted for directly in equity (accounting policy 3);
- regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting (accounting policy 6);
- cumulative gains and losses previously deferred in equity in terms of a cash flow hedging relationship are transferred from equity and included in the initial measurement of the non-financial asset or liability (accounting policy 6); and
- property and equipment are accounted for using the cost model (accounting policy 8).

Changes in accounting policies

The accounting policies are consistent with those adopted in the previous year, except for the following:

Adoption of new standards and interpretations effective for the current financial year

- IFRIC 12, *Service Concession Arrangements* (IFRIC 12)
- IFRIC 14 on IAS 19, *Employee Benefits – The Limits on a defined Benefit Asset, Minimum Funding Requirements and their Interaction* (IFRIC 14)
- Amendments to IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39) and IFRS 7, *Financial Instruments: Disclosures* (IFRS 7) with regard

to the *Reclassification of Financial Assets*.

On 1 January 2008 the group adopted IFRIC 12 and IFRIC 14. The application of these interpretations had no significant effect on the 2008 results, nor has it required any restatement of prior period results.

During the year, the group adopted the amendments to IAS 39 and IFRS 7 with regard to the *Reclassification of Financial Assets*. The amendment was issued by the International Accounting Standards Board (IASB) on 13 October 2008. The amendment permits an entity to reclassify financial assets out of the held for trading and available-for-sale categories as follows:

- Reclassification of non-derivative financial assets classified as held for trading to loans and receivables or available-for-sale is permitted where the financial asset is no longer held for sale in the near term, meets the definition of loans and receivables (including not being quoted in an active market) and the group has the intention to hold the financial asset for the foreseeable future or until maturity; or
- Reclassification of non-derivative financial assets classified as held for trading to either held to maturity or available-for-sale is permitted only in rare circumstances, where the financial asset is no longer held for sale in the near term; or
- Reclassification of financial assets from available-for-sale to loans and receivables is permitted where the financial asset would otherwise have met the definition of loans and receivables and the group has the intention to hold the financial asset for the foreseeable future or until maturity.

The amendment permitted the reclassification of financial assets retrospectively from 1 July 2008 provided the decision to reclassify was made prior to 1 November 2008. All other reclassifications shall be effective from the date of reclassification. The amendments had no material impact on the results of the Group.

Early adoption of standards and interpretations

Improvements to IFRSs

As part of its annual improvements project, the IASB made amendments to a number of accounting standards. These amendments were primarily made to resolve conflicts and remove inconsistencies between standards, clarify the status of application guidance in standards, clarify existing IFRS requirements as well as conforming the terminology used in standards with that used in other standards and to that more widely used. The Group adopted these amendments in 2008 (with the exception of those listed under New Standards and Interpretations Not Yet Adopted), the application of which has not had a significant effect on the 2008 results, nor has it required any restatement of prior period results.

IAS 23 Borrowing Costs (IAS 23)

The Group elected to early adopt the revised IAS 23 in 2008. The revised standard is effective for annual periods beginning on or after 1 January 2009, with early adoption permitted. The revised standard requires the capitalisation of

Accounting policies - (continued)

borrowing costs that relate to qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale. It does not require the capitalisation of borrowing costs relating to assets measured at fair value, and inventories manufactured or produced in large quantities on a repetitive basis. In terms of the transitional provisions, the Group elected 1 January 2008 as the date of adoption of the standard for all borrowing costs to be capitalized on qualifying assets.

IAS 32, Financial Instruments: Presentation (IAS 32) and IAS 1, Presentation of Financial Statements (IAS 1) – Puttable Financial Instruments and Obligations arising on Liquidation

The amendment to IAS 32 requires the classification of certain puttable financial instruments and financial instruments that impose on the issuer an obligation to deliver a pro-rata share of the entity only on liquidation as equity. The amendment sets out the specific criteria that are to be met to present the instruments as equity together with related disclosure requirements. The amendment has had no significant effect on the 2008 results, nor has it required any restatement of prior period results.

3. Basis of consolidation

Subsidiaries

The financial statements of subsidiaries are consolidated from the date on which the Group acquires control, up to the date that such effective control ceases. For this purpose, subsidiaries are entities over which the Group, directly or indirectly, has the power to govern the financial and operating policies to obtain the benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the sum of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of an acquisition over the Group's share of the fair value of identifiable net assets acquired is recorded as goodwill and accounted for in terms of accounting policy 8. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference, referred to as negative goodwill, is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses within banking and asset management activities are eliminated on consolidation. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Equity instruments of Group entities held by subsidiaries are classified as treasury shares.

Accounting policies of subsidiaries conform to the policies adopted by the Group for its banking and asset management

activities.

Investments in subsidiaries are accounted for at cost less impairment losses in the company accounts. The carrying amounts of these investments are reviewed annually and written down for impairment where considered necessary.

Transactions with minority shareholders

The Group applies a policy of treating transactions with minority shareholders that do not result in the gain or loss of control, as transactions with equity owners of the group. For purchases of additional interests from minority shareholders, the excess of the purchase consideration over the Group's proportionate share of the additional net asset value of the subsidiary acquired is accounted for directly in equity. For disposals to minority shareholders, the profit or loss on partial disposal of the Group's interest in a subsidiary is also accounted for directly in equity.

4. Foreign currency translations

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of Stanbic Bank Ghana Limited and the Group's consolidated presentation currency is Ghana Cedis and all amounts unless otherwise indicated, are stated in thousands of Ghana Cedis (GHS '000).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognised in the income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency using the exchange rate at the transaction date, and those measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Exchange differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities classified as available-for-sale financial assets are included in the available-for-sale reserve in equity whereas the exchange differences on equities held at fair value through profit or loss are reported as part of the fair value gain or loss in the income statement.

5. Cash and cash equivalents

Cash and cash equivalents disclosed in the cash flow statement consist of cash and balances with banks and short-term negotiable securities. Short-term negotiable securities are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Accounting policies - (continued)

Cash and balances with banks comprise coins and bank notes, balances with the Bank of Ghana and other banks.

6. Financial instruments

Initial recognition and measurement

Financial instruments include all financial assets and liabilities held for liquidity, investment, trading or hedging purposes. All financial instruments are initially recognised at fair value plus transaction costs, except those carried at fair value through profit or loss where transaction costs are recognised immediately through the income statement. Financial instruments are recognised (derecognized) on the date the Group commits to purchase (sell) the instruments (trade date).

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification:

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has both the positive intent and ability to hold to maturity. Were the Group to sell more than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale assets with the difference between its amortised cost and fair value being accounted for in equity.

Held-to-maturity investments are carried at amortised cost, using the effective interest method, less any provisions for impairment.

Trading assets and liabilities

Trading assets and liabilities are either those financial assets and liabilities that the Group has acquired or incurred principally for the purpose of selling or repurchasing in the near term, or they form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments.

Subsequent to initial recognition, the fair values are remeasured at each reporting date. All gains and losses arising from changes therein are recognised in the income statement in trading revenue under non-interest revenue.

Interest earned and dividends received while holding trading assets at fair value through profit or loss are included in trading revenue.

Trading assets may only be reclassified subsequent to their initial recognition in the following two instances:

- Reclassification out of held for trading to loans and receivables and available-for-sale where the financial asset is no longer held for sale in the near term, is not quoted in an active market and the Group has the intention to hold the financial asset for the foreseeable future or until maturity; or
- Reclassification out of held for trading to either held to maturity or available-for-sale only in rare circumstances,

where the financial asset is no longer held for sale in the near term.

The reclassification of trading assets on or after 1 November 2008 is effective from the date of reclassification.

Trading liabilities may not be reclassified subsequent to their initial recognition.

Financial assets and liabilities designated at fair value through profit or loss.

The Group has designated financial assets and liabilities, other than those held for trading, as at fair value through profit or loss when:

- this designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring financial assets or liabilities, or recognising gains and losses on them on different bases. Under this criterion, the main classes of financial instruments designated by the Group are loans and advances to customers and debt securities in issue where doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost. This category also includes financial assets used to match investment contracts or insurance contract liabilities; or
- groups of financial assets, financial liabilities or both are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and information about groups of financial instruments is reported to the group's key management personnel on that basis. Under this criterion, certain investment portfolios have been designated at fair value through profit or loss. The group has documented risk management and investment strategies designed to manage such assets at fair value; or
- financial instruments contain one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

The fair value designation, once made, is irrevocable. Subsequent to initial recognition, the fair values are remeasured at each reporting date. Gains and losses arising from changes therein are recognised in interest income (expense) for all dated financial assets (financial liabilities) and in other revenue within non-interest revenue for all undated financial assets.

Private equity and property equity investments designated, on initial recognition, at fair value through profit or loss in terms of the scope exemption in IAS 28 Interest in Associates, are accounted for in the designated at fair value through profit or loss category. Mutual funds held by investment-linked insurance funds in which the Group holds between 20% and 50% economic interest, resulting in significant influence, are deemed to be interests in associates and are also, on initial recognition, designated at fair value through profit or loss, based on the scope exemption in IAS 28 relating to investment-linked insurance funds.

Accounting policies - (continued)

Changes in fair value attributable to changes in credit risk, both for the period and cumulatively to date, relating to financial liabilities and loans and receivables designated at fair value through profit or loss are disclosed in the financial statements. These credit risk amounts are determined as the amount of change in the fair value that is not attributable to changes in market conditions that give rise to market risk.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Group as at fair value through profit or loss or available-for-sale. This category includes purchased loans.

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Origination transaction costs and origination fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate. The majority of the Group's advances are included in the loans and receivables category.

Available-for-sale

Financial assets classified by the Group as available-for-sale are generally strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or financial assets that are not designated as another category of financial assets.

Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains or losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in the available-for-sale reserve until the financial asset is derecognised or impaired. When available-for-sale financial assets are disposed of, the fair value adjustments accumulated in equity are recognised in the income statement.

Available-for-sale financial assets may be reclassified to loans and receivables where the financial asset would otherwise have met the definition of loans and receivables and the Group has the intention to hold the financial asset for the foreseeable future or until maturity.

Interest income, calculated using the effective interest method, is recognised in the income statement. Dividends received on available-for-sale instruments are recognised in the income statement when the Group's right to receive payment has been established. Foreign exchange gains or losses on available-for-sale debt instruments are recognised in the income statement.

Fair value

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, i.e. the fair value of the consideration paid or received, unless the fair value is evidenced by comparison with other observable current market transactions in the same instrument, without modification or repackaging, or based on valuation techniques such as discounted cash flow models and

option pricing models whose variables include only data from observable markets.

When such valuation models, with only observable market data as inputs, indicate that the fair value differs from the transaction price, this initial difference, commonly referred to as day one profit or loss, is recognised in the income statement immediately. If non-observable market data is used as part of the input to the valuation models, any resulting difference between the transaction price and the model value is deferred. The timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement, depending on the nature of the instrument and availability of market observable inputs.

Subsequent to initial recognition, the fair values of financial assets and liabilities are based on quoted market prices or dealer price quotations for financial instruments traded in active markets. If the market for a financial asset is not active or the instrument is an unlisted instrument, the fair value is determined using applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and valuation techniques commonly used by market participants. Where the fair value of Investments in equity instruments and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are unable to be reliably determined those instruments are measured at cost.

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment, resulting from one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Non-performing loans are impaired for doubtful debts identified during periodic evaluations of advances. Retail loans and advances are considered non-performing when amounts are due and unpaid for three months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. The impairment of non-performing loans takes account of past loss experience adjusted for changes in economic conditions and the nature and level of risk exposure since the recording of the historic losses. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Accounting policies - (continued)

When a loan carried at amortised cost has been identified as impaired, the carrying amount of the loan is reduced to an amount equal to the present value of estimated future cash flows, including the recoverable amount of any collateral, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised as a credit impairment in the income statement.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

Impairment of performing loans can only be accounted for if there is objective evidence that a loss event has occurred after the initial recognition of the financial asset but before the balance sheet date. In order to provide for latent losses in a portfolio of loans that have not yet been individually identified as impaired, a credit impairment for incurred but not reported losses is recognised based on historic loss patterns and estimated emergence periods. Loans are also impaired when adverse economic conditions develop after initial recognition which may impact future cash flows.

Increases in loan impairments and any subsequent reversals thereof, or recoveries of amounts previously impaired, are reflected in the income statement. Previously impaired advances are written off once all reasonable attempts at collection have been made and there is no realistic prospect of recovering outstanding amounts. Any subsequent reductions in amounts previously impaired are reversed by adjusting the allowance account with the amount of the reversal being recognised as a reduction in impairment for credit losses in the income statement. Subsequent recoveries of previously written off advances are recognised in the income statement.

Subsequent to impairment, the effects of discounting unwind over time as interest income.

Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant, and whose terms have been renegotiated are no longer considered to be past due but are reset to performing loan status.

Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered impaired or past due.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the balance sheet date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. In that instance, the

cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is removed from equity and is recognised in the income statement.

Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognised in the income statement. If any loss on the financial asset was previously recognised directly in equity as a reduction in fair value, the cumulative net loss that had been recognised in equity is transferred to the income statement and is recognised as part of the impairment loss. The amount of the loss recognised in the income statement is the difference between the acquisition cost and the current fair value, less any previously recognised impairment losses.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement for available-for-sale debt instruments. An impairment loss in respect of an available-for-sale equity instrument is not reversed through the income statement but accounted for directly in equity.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to set-off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Derivative financial instruments and hedge accounting

A derivative is a financial instrument whose value changes in response to an underlying variable, requires little or no initial investment and is settled at a future date. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into and subsequently remeasured at fair value as described under the heading "Fair value" above.

All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative, subject to offsetting principles as described under the heading "Offsetting financial instruments" above.

Embedded derivatives included in hybrid instruments are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not recognised at fair value with any gains or losses from the change in fair value recognised in the income statement. The host contracts are accounted for and measured applying the rules of the relevant category of that financial instrument.

The method of recognising fair value gains or losses depends on whether derivatives are held for trading or are

Accounting policies - (continued)

designated as hedging instruments, and if so, the nature of the hedged item. All gains and losses from changes in the fair value of derivatives that are classified as held for trading are recognised in the income statement in trading revenue. When derivatives are designated in a hedging relationship, the Group designates them as either:

- hedges of the fair value of recognised financial assets or liabilities or firm commitments (fair value hedge);
- hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge); or
- hedges of net investments in a foreign operation (net investment hedge).

Hedge accounting is applied to derivatives designated in this way provided certain criteria are met. The Group documents, at the inception of the hedging relationship, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships. The Group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges

Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised in the income statement. Fair value adjustments relating to the hedging instrument are allocated to the same income statement category as the related hedged item. Any ineffectiveness is also recognised in the same income statement category as the related hedged item.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to the income statement as part of the hedged item's recalculated effective interest rate over the period to maturity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the cash flow hedging reserve. The ineffective part of any gain or loss is recognised immediately in the income statement as trading revenue.

Amounts accumulated in equity are transferred to the income statement in the periods in which the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, the

cumulative gains or losses recognised in equity remain in equity until the forecast transaction is recognised in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects the income statement in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are immediately transferred to the income statement and classified as trading revenue.

Net investment hedges

Where considered appropriate, the Group hedges net investments in foreign operations using derivative instruments. For such hedges, the designated component of the hedging instrument that relates to the effective portion of the hedge, is recognised directly in the foreign currency hedge of net investment reserve. Any ineffective portion is immediately recognised in the income statement in trading revenue. On the partial disposal of a foreign operation, a proportionate share of those deferred gains and losses is recognised directly in profit or loss. On disposal of a foreign operation, all remaining deferred gains and losses are recognised directly in profit or loss.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the income statement as trading revenue.

Borrowings

Borrowings are recognised initially at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

Preference shares, which carry a mandatory coupon, or are redeemable on a specific date, at the occurrence of a contingent future event, at the option of the shareholder or if dividend payments are not discretionary, are classified as financial liabilities or compound financial instruments. All other preference shares are classified as equity. Dividends on preference shares classified as financial liabilities are recognised in the income statement as interest expense on an amortised cost basis using the effective interest method with the exception of those borrowing costs that are capitalized (Accounting policy 9). Dividends on preference shares classified as equity instruments are recognised in equity as a dividend payment.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognised at fair value, which is the premium received, and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium.

Accounting policies - (continued)

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

The Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include securities lending and repurchase agreements.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Sale and repurchase agreements and lending of securities

Securities sold subject to linked repurchase agreements are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposit and current accounts.

Securities purchased under agreements to resell are recorded as loans granted under resale agreements and included under loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and amortised over the life of the repurchase agreement using the effective interest method.

Securities lent to counterparties are retained in the financial statements and are classified and measured in accordance with the measurement policy above. Securities borrowed are not recognised in the financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing

and lending business are recognised on an accrual basis over the period of the transactions.

7. Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition. Acquisition costs include any directly attributable transaction costs.

Goodwill arising on acquisitions are not amortised, but allocated to cash generating units and are tested annually for impairment. Negative goodwill is recognised as income in the period in which it arises. Gains or losses on the disposal of an entity are determined after taking into account the carrying amount of goodwill (if any) relating to the entity sold.

Computer software

Generally, costs associated with developing or maintaining computer software programmes and the acquisition of software licenses are recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Group and have a probable future economic benefit beyond one year, are recognised as intangible assets. Capitalisation is further limited to development cost where the Group is able to demonstrate its intention and ability to complete and use the software and can reliably measure the costs to complete the development. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets (two to ten years), and are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when the carrying amount exceeds its recoverable amount.

Other intangible assets

The Group expenses the costs incurred on internally generated intangible assets such as brands, customer lists, customer contracts and similar rights and assets, to the income statement in the period in which the costs are incurred. Prepayment assets are recognised for advertising or promotional expenditure up to the point at which the Group has the right to access the goods purchased or up to the point of receipt of services.

Capitalised intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, not exceeding 20 years, from the date that they are available for use.

Accounting policies - (continued)

8. Property and equipment

Equipment

Equipment, furniture, vehicles and other tangible assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historic cost includes expenditure that is directly attributable to the acquisition of property and equipment. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. Maintenance and repairs, which do not meet these criteria, are charged against income as incurred. Depreciation, impairment losses and gains or losses on disposal of assets are included in the income statement.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to the current values of their expected residual values. Land is not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each balance sheet date and the depreciation method is reviewed at each financial year-end.

The estimated useful lives of tangible assets for the current financial year are as follows:

Computer equipment	– 3 to 5 years
Motor vehicles	– 5 years
Office equipment	– 5 to 10 years
Furniture and fittings	– 5 to 13 years
Capitalised leased assets	– over the shorter of the lease term or its useful life

There has been no change to the estimated useful lives from those applied in the previous financial year.

Work in progress

Work in progress consists of equipment / properties that are not yet available to be put to economic use. Works in Progress is carried at cost less any required impairment. An impairment loss is recognised if the asset's recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once development is complete, the properties are transferred to the appropriate equipment classification.

9. Capitalisation of borrowing costs

Borrowing costs that relate to qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale and are neither measured at fair value and are not inventories that are produced in large quantities on a repetitive basis are capitalized.

10. Impairment of non-financial assets

Intangible assets that have an indefinite useful life and goodwill are not subject to amortisation and are tested annually for impairment. Intangible assets that are subject to amortisation and other non-financial assets are reviewed for

impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows from continuing use (cash generating units).

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

11. Leases

Group as lessee

Leases, where the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Leases of assets are classified as operating leases if the lessor effectively retains all the risks and rewards of ownership. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Group as lessor

Lease and installment sale contracts are primarily financing transactions in banking activities, with rentals and installments receivable, less unearned finance charges, being included in loans and advances on the balance sheet.

Finance charges earned are computed using the effective interest method which reflects a constant periodic return on the investment in the finance lease. Initial direct costs paid are capitalised to the value of the lease amount receivable and accounted for over the lease term as an adjustment to the effective rate of return. The benefits arising from investment allowances on assets leased to clients are

Accounting policies - (continued)

accounted for in tax.

Leases of assets under which the Group effectively retains all the risks and benefits of ownership are classified as operating leases. Receipts of operating leases from properties held as investment properties in investment management and life insurance activities, net of any incentives given to lessees, are accounted for as income on the straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required by the lessee by way of penalty is recognised as income in the period in which termination takes place.

12. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation 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 of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

Contingent liabilities, which include certain guarantees other than financial guarantees, and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

13. Employee benefits

Post-employment benefits

The Group operates a number of defined contribution plans, based on a percentage of pensionable earnings funded by both employer companies and employees, the assets of which are generally held in separate trustee-administered funds. Contributions to these plans are charged to the income statement in the period to which they relate.

Termination benefits

Termination benefits are recognised as an expense when the Group is committed, without realistic possibility of withdrawal,

to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term benefits

Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

14. Tax

Normal tax

Income tax and capital gains tax on the profit or loss for the year comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred income tax and deferred capital gains tax are provided for on the comprehensive basis, using the balance sheet method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries and joint ventures (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Accounting policies - (continued)

Current and deferred tax relating to items which are charged or credited directly to equity, are also charged or credited directly to equity, and are subsequently recognised in the income statement when the related deferred gain or loss is recognised.

Indirect tax

Indirect tax, including non-recoverable value added tax (VAT) for banking activities is separately disclosed in the income statement.

15. Equity

Share issue costs

Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed immediately.

Dividends on ordinary shares

Dividends are recognised in equity in the period in which they are declared. Dividends declared after balance sheet date are disclosed in the dividends note.

16. Revenue and expenditure

Revenues described below represent the most appropriate equivalent of turnover.

Banking activities

Revenue is derived substantially from the business of banking and related activities and comprises net interest income and non-interest revenue.

Net interest income

Interest income and expense (with the exception of those borrowing costs that are capitalized – refer to accounting policy 9. Capitalisation of Borrowing costs) are recognised in the income statement on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified as held for trading. In terms of the effective interest method, interest is recognised at a rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities on balance sheet, are capitalised to the carrying amount of financial instruments, excluding financial instruments at fair value through profit or loss, and amortised as interest income or expense over the life of the asset as part of the effective interest rate.

Where the estimates or receipts on financial asset (except those that have been reclassified – refer accounting policy 6) are subsequently revised, the carrying amount of the financial asset is adjusted to reflect actual and revised estimated cash flows. The carrying amount is calculated by computing the present value of the estimated cash flows at the financial asset's original effective interest. Any adjustment to the carrying value is recognised in interest income.

For financial asset's that have been reclassified (refer

accounting policy 6), the effect of increases in estimates of future cash receipts as a result of increased recoverability is recognised as an adjustment to the financial asset's effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amount of the financial asset at the date of the change in estimate.

Where financial assets have been impaired, interest income continues to be recognised on the impaired value based on the original effective interest rate.

Gains and losses on the disposal of dated financial instruments, including amounts removed from equity in respect of available-for-sale financial assets, and excluding those classified as held for trading, are included in net interest income.

Dividends received on preference share investments form part of the Group's lending activities and are included in interest income.

Non-interest revenue

Net fee and commission revenue

Fee and commission revenue, including transactional fees, account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the Group does not participate in the syndication or participate at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised as interest income.

The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Other fee and commission expense included in net fee and commission revenue are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received.

Trading revenue

Trading revenue comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading, together with related interest income, expense and dividends.

Other revenue

Other revenue includes gains and losses on equity instruments designated at fair value through profit or loss, gains and losses on realised undated available-for-sale financial assets, dividends relating to those financial instruments and underwriting profit from the Group's short-term insurance operations and related insurance activities.

Net income from financial instruments designated at fair value includes all gains and losses from changes in the fair value of undated financial assets and liabilities designated at fair value through profit or loss, including dividend

Accounting policies - (continued)

income arising on these financial instruments.

Gains and losses on undated available-for-sale financial assets are removed from equity and included in the income statement on realisation of the investments. Dividends on these instruments are recognised in the income statement.

Gains and losses on all other undated financial instruments, excluding those classified as held for trading, are recognised in other revenue.

Dividend income

Dividends are recognised in the income statement in the period in which the right to receipt is established. Scrip dividends are recognised as dividends received to the extent that they compare to cash dividends in a similar entity.

Investment management activities

Management fees on assets under management
Management fees are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements.

17. Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising thereon are excluded from these financial statements as they are not assets of the Group.

18. Comparative figures

Where necessary, comparative figures within notes have been restated to conform to changes in presentation, in the current year.

During 2008, the Group reviewed its accounting treatment for low-interest employee loans. Low-interest employee loans had previously been treated in accordance with IAS 39 *Financial Instruments: Recognition and Measurements* which requires staff loans to be stated at its fair value plus transaction costs directly attributable to the acquisition or issue of the facility. The Group considers that the benefit of these low-interest employee loans is described more appropriately under IAS 19 *Employee Benefits* which defines employee benefits as all forms of consideration given by an entity in exchange for service rendered by employees. The discount between the market rate and staff interest rate represent a prepayment of future services expected to be received from the employee.

Restatements within the 2007 consolidated balance sheet and income statement are presented in Annexure A – restatements on pages 75 and 76.

Accounting policies - (continued)

New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008 and have not been applied in preparing these consolidated financial statements:

Standard	Standard/interpretation	Effective date ¹
IFRS 2	<p><i>Share-based Payment (IFRS 2) – Vesting Conditions and Cancellations</i></p> <p>The amendment to IFRS 2 clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment agreement should be treated as non-vesting conditions and should be included in the grant date fair value of the share-based payment. It also specifies that cancellations by parties other than the entity should be accounted for in the same way as cancellations by the entity. This amendment is not expected to impact the Group's results significantly.</p>	Annual periods commencing on or after 1 January 2009
IFRS 1 and IAS 27	<p><i>Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i></p> <p>In addition to amendments with respect to first time adoption of IFRS, IAS 27 has been revised to require the recognition of pre-acquisition dividends on investments in the separate financial statements in the income statement. Additional impairment considerations have also been provided in IAS 36, Impairment of Assets. IAS 27 was further amended to require a new parent in a reorganization to measure the cost of the investment in the previous parent at the carrying amount of its share of the equity items in the previous parent at the date of reorganization. The amendments have had no effect on the 2008 results, nor has it required any restatement of prior period results.</p> <p>This amendment is not expected to impact the Group's results significantly.</p>	Annual periods commencing on or after 1 January 2009
IFRS 3	<p><i>Business Combinations (IFRS 3)</i></p> <p>The principal amendments to IFRS 3 include:</p> <ul style="list-style-type: none"> the requirement to expense all acquisition-related costs; recognition of fair value gains and losses in the income statement on interests in an acquiree at the time at which control is lost; recognition of all increases and decreases in ownership interests over an acquiree within equity whilst control is held; the option to recognise any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the net identifiable assets of the entity acquired; restriction of adjustments to the initial measurement of contingent considerations on a business combination, with subsequent measurement of such items being recognized in the income statement; and the requirement at acquisition to reclassify and redesignate all contractual arrangements, excluding leases and insurance contracts. <p>The amendments are expected to affect the Group's accounting for business combinations that arise after the date on which the amendments are adopted. The effect on the financial statements will be a function of the number and value of any business combinations transacted after the effective date.</p>	Annual periods commencing on or after 1 July 2009
IFRS 5	<p><i>Non-current Assets Held for Sale and Discontinued Operations (IFRS 5)</i></p> <p>The amendment to IFRS 5 requires an entity to classify the assets and liabilities of a subsidiary as held for sale where the criteria of IFRS 5 are met regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale. The amendments are not expected to have a significant impact on the results of the group.</p>	Annual periods commencing on or after 1 July 2009

Accounting policies - (continued)

IAS 1	<p><i>Presentation of Financial Statements</i></p> <p>The revised IAS 1 supersedes the 2003 version of IAS 1. The main change in the revised IAS 1 is the requirement to present all non-owner changes in equity in either:</p> <ul style="list-style-type: none"> • a single statement of comprehensive income which includes income statement line items; or • a statement of comprehensive income which includes only non-owner equity changes. In addition, an income statement is also disclosed. <p>A statement of financial position, preferred term for "balance sheet", also has to be presented at the beginning of the comparative period when the entity restates the comparatives as a result of a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements. The revised IAS 1 will not impact the results of the Group but will impact the format of the income statement and statement of changes in equity.</p>	Annual periods commencing on or after 1 January 2009
IAS 27	<p><i>Consolidated and Separate Financial Statements</i></p> <p>The amendments to IAS 27 require changes in a parent's ownership interest in a subsidiary that does not result in a loss of control to be accounted for within equity as transactions with owners in their capacity as owners. At the time at which control is lost, a parent shall derecognise all assets, liabilities and non-controlling interest at their carrying amounts. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. A gain or loss on the loss of control is recognised in profit or loss. The revised standard also requires an entity to attribute its share of total comprehensive income to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.</p> <p>The effect on the financial statements will be a function of the number and value of transactions that result in the loss of control over subsidiaries after the adoption of the new standard.</p>	Annual periods commencing on or after 1 July 2009
IAS 28	<p><i>Investments in Associates</i></p> <p>The amendment also clarifies that an investment in an associate shall be treated as a single asset for impairment testing (an impairment loss recorded by an investor after applying the equity method is not allocated against any goodwill included in the equity accounted investment balance). Such an impairment loss should be reversed in a subsequent period to the extent that the recoverable amount of the associate increases.</p> <p>The amendment is not expected to have a significant impact on the results of the group</p>	Annual periods commencing on or after 1 January 2009
IAS 39	<p><i>Financial Instruments: Recognition and Measurement</i></p> <p>The amendment to IAS 39 provides and clarifies the following in relation to hedge accounting:</p> <ul style="list-style-type: none"> • Inflation can only be designated as a hedged risk or portion if it is a contractually-specified portion of the cash flows of the hedged item; • The time value of a purchased option used as a hedging instrument may not be included as a designated component of the hedging instrument; and • A risk-free or benchmark interest rate portion of the fair value of a fixed rate financial instrument will normally be separately identifiable and reliably measurable, and hence may be hedged. <p>The amendments are not expected to have a significant impact on the results of the Group.</p>	Annual periods commencing on or after 1 July 2009

Accounting policies - (continued)

IAS 40	<p><i>Investment Property</i></p> <p>The amendment to IAS 40 brings into its scope property that is being constructed or developed for future use as investment property. Such property previously fell within the scope of IAS 16. The amendment is not expected to have a significant impact on the results of the group.</p>	Annual periods commencing on or after 1 January 2009
IFRIC 13	<p><i>Customer Loyalty Programmes</i></p> <p>The interpretation addresses the recognition and measurement of obligations to provide customers with free or discounted goods or services if and when they choose to redeem their loyalty award credits. The interpretation requires entities to allocate some of the proceeds of the initial sale to the award credits and recognise these proceeds as revenue only when the obligations have been fulfilled. They may fulfill their obligations by supplying awards themselves, or engaging and paying a third party to do so.</p> <p>This interpretation is in accordance with the Group's existing policy and is therefore not expected to impact the Group's results.</p>	Annual periods commencing on or after 1 July 2008
IFRIC 15	<p><i>Agreements for the Construction of Real Estate</i> (IFRIC 15)</p> <p>IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11, Construction Contracts or IAS 18, Revenue and, accordingly, when revenue from the construction should be recognised.</p> <p>The amendment is not expected to have a significant impact on the results of the Group.</p>	Annual periods commencing on or after 1 January 2009
IFRIC 16	<p><i>Hedges of a Net Investment in a Foreign Operation</i> (IFRIC 16)</p> <p>IFRIC 16 clarifies the accounting treatment that should be applied for hedges of a net investment in a foreign operation. The Group already materially complies with the requirements of IFRIC with the exception of the requirement for the hedging instrument to be held by any entity within the Group with the exception of the foreign operation that is itself being hedged.</p> <p>This requirement will restrict the ability of the Group to enter into hedging relationships in the name of the foreign operation that is itself being hedged. Subsequent to year-end the International Financial Reporting Interpretations Committee (IFRIC) released an exposure draft recommending the deletion of the requirement that the hedging instrument cannot be held by the foreign operation and for that amendment to be applied retrospectively.</p> <p>Whether the exposure draft is finalized as it is currently worded or not, IFRIC 16 is not expected to have a significant impact on the results of the group since the Group has identified alternative means of hedging its foreign operations.</p>	Annual periods beginning on or after 1 October 2008
IFRIC 17	<p><i>Distributions of Non-Cash Assets to Owners</i> (IFRIC 17)</p> <p>IFRIC 17 clarifies that:</p> <ul style="list-style-type: none"> • A dividend payable should be recognised when authorized; • The dividend payable shall be measured at the fair value of the net assets to be distributed (where distributed as an in-specie dividend); and • The difference between the dividend paid and the carrying amount of the net assets distributed shall be recognised in profit or loss. <p>The interpretation is not expected to have a significant impact on the results of the Group.</p>	Annual periods commencing on or after 1 July 2009

Accounting policies - (continued)

IFRIC 18	<p><i>Transfers of Assets from Customers</i> (IFRIC 18)</p> <p>IFRIC 18 clarifies the accounting treatment for transfers of items of property and equipment (including the receipt of cash to acquire such items) by entities that receive such assets from their customers. Such agreements require the entity to either connect the customer to a network or to provide the customer with ongoing access to a supply of goods and services.</p> <p>The interpretation is not applicable to the Group's operations and is not expected to have a significant impact on the results of the Group.</p>	Transfer of assets from customers received on or after 1 July 2009
----------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------

Note to the consolidated financial statements

for the year ended 31 December 2008

1 Key management assumptions

In preparing the financial statements the Group makes estimates and assumptions that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances.

1.1 Performing loans

The Group assesses its loan portfolios for impairment in accordance with the accounting policy number 6. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. The impairment for performing loans is calculated on a portfolio basis using incurred loss methodology. The incurred loss is estimated based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These include early arrears and other indicators of potential defaults such as changes in macro-economic conditions and legislation that may impact on credit recovery. The annual loss ratio computed are applied to loan balances in the portfolio and scaled to the estimated loss emergence period. At the year end the Group applied an emergence period of twelve months.

Non-performing loans

Retail loans are individually impaired if the amounts are due and unpaid for three or more months. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. Management's estimates of future cash flows on individual impaired loans are based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Expected time to recover security and recoveries of individual loans as a percentage of the outstanding balances are estimated as follows:

	Expected time to recover security		Recoveries as a percentage of impaired loans		Impairment loss sensitivity ¹	
	2008	2007	2008	2007	2008	2007
	Months	Months	%	%	GHS '000	GHS '000
Personal & Business Banking	0-18	0-24	84	85	7	4
Mortgage lending	18	24	100	100	-	-
Instalment sale and finance leases	12	12	51	54	-	-
Other lending	18	24	100	100	7	4
Corporate & Investment Banking	18	24	100	100	65	20
					72	24

¹Sensitivity is based on the effect of a change of one percentage point in the value of the estimated recovery on the value of the impairment.

1.2 Sensitivity of fair values to changes in significant assumptions

The fair value of financial instruments, such as unlisted equity investments and equity derivatives, that are not quoted in active markets are determined by using valuation techniques. Wherever possible, models use only observable market data. Where required, these models incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of financial instruments.

The total amount of the change in fair value estimated using a valuation technique not based on observable market data that was recognised for the year ended 31 December 2008 was nil (2007: nil).

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

1 Key management assumptions continued

1.3 Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by independent qualified senior personnel. All models are certified before they are used, and models are calibrated and back tested to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

1.4 Income taxes

The Group is subject to direct and indirect taxation in a number of jurisdictions. There are many transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax expense in the period in which such determination is made.

1.5 Financial risk management

The Group's risk management policies and procedures are disclosed in the risk management section starting on page 65 of the annual financial statements.

	Group		Bank	
	2008	2007	2008	2007
	GHS('000)	GHS('000)	GHS('000)	GHS('000)
2 Cash and cash equivalent				
Cash and balances with central bank	47 736	39 097	47 708	39 097
Coins and bank notes	11 380	7 350	11 352	7 350
Balances with the Bank of Ghana	36 356	31 747	36 356	31 747
Due from other banks and financial institutions	46 177	45 820	46 177	45 820
Items in course of collection	12 295	8 261	12 295	8 261
Treasury bills	6 407	720	6 407	720
Due to other banks and financial institutions	(73 760)	(23 929)	(73 760)	(23 929)
	38 855	69 969	38 827	69 969

Cash and balances with banks include **GHS 26.4 million** (2007: GHS 10.3million) for the Group and Bank that is not available for use in day to day operations. These balances comprise mandatory reserving requirements held with the Bank of Ghana.

3 Derivative instruments

All derivatives are classified as derivatives held for trading.

3.1 Fair values

The fair value of a derivative financial instrument represents, for quoted instruments, the quoted market price and for unquoted instruments, the present value of the positive or negative cash flows, which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly market place transaction at year end.

3.2 Notional amount

The gross notional amount is the sum of the absolute value of all bought and sold contracts. The amount cannot be used to assess the market risk associated with the position and should be used only as a means of assessing the Group's participation in derivative contracts.

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

3.3 Derivative assets and liabilities	2008							2007			
	Maturity analysis of net fair value			Net fair value	Fair value of assets	Fair value of liabilities	Contract/notional amount	Net fair value	Fair value of assets	Fair value of liabilities	Contract/notional amount
	Within 1 year	After 1 year but within 5 years	After 5 years								
Group	GHS('000)	GHS('000)	GHS('000)	GHS('000)	GHS('000)	GHS('000)	GHS('000)	GHS('000)	GHS('000)	GHS('000)	GHS('000)
Derivatives held for trading											
Foreign exchange derivatives	782	-	-	782	3 764	2 982	20 699	(135)	359	494	2 384
Currency Forwards	-	-	-	-	-	-	-	-	-	-	-
Currency Swaps	782	-	-	782	3 764	2 982	20 699	(135)	359	494	2 384
Total derivative assets/(liabilities)	782	-	-	782	3 764	2 982	20 699	(135)	359	494	2 384
Bank											
Derivatives held for trading											
Foreign exchange derivatives	782	-	-	782	3 764	2 982	20 699	(135)	359	494	2 384
Currency Forwards	-	-	-	-	-	-	-	-	-	-	-
Currency Swaps	782	-	-	782	3 764	2 982	20 699	(135)	359	494	2 384
Total derivative assets/(liabilities)	782	-	-	782	3 764	2 982	20 699	(135)	359	494	2 384

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2007

3 Derivative instruments continued

3.4 Use and measurement of derivative instruments

In the normal course of business, the Group and the Bank enters into a variety of derivative transactions for trading purposes. Derivative instruments used by the Group for trading activities include swaps, forwards, and other similar types of instruments based on foreign exchange rates, and interest rates.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

The fair value of all derivatives is recognised on the balance sheet and is only netted to the extent that a legal right of set-off exists and there is an intention to settle on a net basis.

Swaps are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period. The major types of swap transactions undertaken by the Group are as follows:

- interest rate swap contracts generally entail the contractual exchange of fixed and floating rate interest payments in a single currency, based on a notional amount and an interest reference rate;
- cross currency interest rate swaps involve the exchange of interest payments based on two different currency principle balances and interest reference rates and generally also entail exchange of principal amounts at the start and/or end of the contract;
- total return swaps are contracts in which one party (the total return payer) transfers the economic risks and rewards associated with an underlying asset to another counterparty (the total return receiver). The transfer of risk and reward is effected by way of an exchange of cash flows that mirror changes in the value of the underlying asset and any income derived therefrom.

Forwards and futures are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the over the counter (OTC) market, whereas futures are standardised contracts transacted on regulated exchanges.

3.5 Derivatives held for trading

The Group trades derivative instruments on behalf of customers and for its own positions. The Group transacts derivative contracts to address customer demands both as a market maker in the wholesale markets and in structuring tailored derivatives for customers. The Group also takes proprietary positions for its own accounts. Trading derivative products include the following derivative instruments:

3.5.1 Foreign exchange derivatives

Foreign exchange derivatives are used to hedge foreign currency risks on behalf of customers and for the Group's own positions. Foreign exchange derivatives primarily consist of forward exchange contracts.

3.5.2 Interest rate derivatives

Interest rate derivatives are used to modify the volatility and interest rate characteristics of interest-earning assets and interest-bearing liabilities on behalf of customers and for the Group's own positions. Interest rate derivatives primarily consist of swaps.

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
4 Trading assets				
Listed	17 714	24 565	17 714	24 565
	17 714	24 565	17 714	24 565
Comprising:				
Government bonds	6 004	24 565	6 004	24 565
Other instruments	11 710	-	11 710	-
	17 714	24 565	17 714	24 565
Maturity analysis				
The maturities represent periods to contractual redemption of the trading assets recorded.				
- Maturing after 1 month but within 6 months	17 714	24 565	17 714	24 565
	17 714	24 565	17 714	24 565

Investment registers

Registers of trading assets are available for inspection by a member, or its authorised agent at the registered offices of the Bank.

Redemption value

Dated trading assets had a redemption value at 31 December 2008 of **GHS 17.7million** (2007: GHS 24.6million) for the Group and the Bank

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
5 Pledged assets and assets not derecognised				
5.1 Pledged assets				
Financial assets that may be repledged or resold by counterparties				
Government bonds	6 400	6 000	6 400	6 000
	6 400	6 000	6 400	6 000

Maturity analysis

The maturities represent periods to contractual redemption of the pledged assets recorded.

- Maturing after 6 months but within 12 months	6 400	-	6 400	-
- Maturing after 12 months	-	6 000	-	6 000
	6 400	6 000	6 400	6 000

Redemption value

Dated pledged assets had a redemption value at 31 December 2008 of **GHS 6.4million** (2007: GHS 6million) for the Group and Bank.

5.2 Total assets pledged

The carrying amount of financial assets that have been pledged as collateral for liabilities (including amounts reflected in 5.1 above) at 31 December 2008 is **GHS 6.4million** (2007: GHS 6million) for the Group and Bank.

The assets pledged by the Group are strictly for the purpose of providing collateral to the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified on the balance sheet as pledged as collateral.

5.3 Collateral accepted as security for assets

As part of the reverse repurchase and securities borrowing agreements, the Group has received securities that it is allowed to sell or repledge. The fair value of the financial assets accepted as collateral that the Group is permitted to sell or repledge in the absence of default is **GHS nil** (2007: GHS nil) for the Group and Bank.

The fair value of financial assets accepted as collateral that have been sold or repledged is **GHS nil** (2007: GHS nil) for the Group and Bank. The Group is obliged to return equivalent securities.

These transactions are conducted under terms that are usual and customary to standard lending and securities borrowing and lending activities.

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
6 Financial investments				
6.1 Classification				
Listed	52 433	14 282	52 433	14 282
	52 433	14 282	52 433	14 282
Comprising:				
Government bonds	52 433	14 282	52 433	14 282
	52 433	14 282	52 433	14 282

Maturity analysis

The maturities represent periods to contractual redemption of the financial investments recorded.

- Maturing within 1 month	4 191	720	4 191	720
- Maturing after 1 month but within 6 months	9 485	1 918	9 485	1 918
- Maturing after 6 months but within 12 months	16 469	6 063	16 469	6 063
- Maturing after 12 months	22 288	5 581	22 288	5 581
	52 433	14 282	52 433	14 282

Redemption value

Dated investment securities had a redemption value at 31 December 2008 of **GHS 52.4million** (2007: GHS 14.2million) for the Group and the Bank.

Investment registers

Registers of financial investments are available for inspection by the member, or its authorised agent at the registered offices of the Bank.

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
7 Loans and advances				
7.1 Loans and advances net of impairment				
Loans and advances to banks	46 483	46 157	46 483	46 157
- Call loans	2 341	2 533	2 341	2 533
- Balances with banks	44 142	43 624	44 142	43 624
Loans and advances to customers	241 234	195 120	241 234	195 120
Gross loans and advances to customers	255 242	199 918	255 242	199 918
- Mortgage lending	4 685	3 032	4 685	3 032
- Instalment sale and finance leases (note 7.2)	24 712	5 717	24 712	5 717
- Overdrafts and other demand lending	67 485	64 980	67 485	64 980
- Term lending	158 360	126 189	158 360	126 189
Credit impairments for loans and advances (note 7.3)	(14 008)	(4 798)	(14 008)	(4 798)
- Impairments for non-performing loans	(11 608)	(2 934)	(11 608)	(2 934)
- Impairments for performing loans	(2 400)	(1 864)	(2 400)	(1 864)
Net loans and advances	287 717	241 277	287 717	241 277
Comprising:				
Gross loans and advances	301 725	246 075	301 725	246 075
Less: credit impairments	(14 008)	(4 798)	(14 008)	(4 798)
Net loans and advances	287 717	241 277	287 717	241 277
Maturity analysis				
The maturities represent periods to contractual redemption of the loans and advances recorded.				
- Maturing within 1 month	77 076	94 032	77 076	94 032
- Maturing after 1 month but within 6 months	22 070	33 664	22 070	33 664
- Maturing after 6 months but within 12 months	34 891	16 022	34 891	16 022
- Maturing after 12 months	153 680	97 559	153 680	97 559
	287 717	241 277	287 717	241 277

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
7 Loans and advances continued				
7.1 Loans and advances net of impairment continued				
Segmental analysis - industry				
Agriculture	14 120	7 862	14 120	7 862
Construction	11 278	15 599	11 278	15 599
Electricity	2 855	9 487	2 855	9 487
Finance, real estate and other business services	128 824	78 549	128 824	78 549
Individuals	13 654	8 830	13 654	8 830
Manufacturing	10 298	13 122	10 298	13 122
Mining	2 341	2 269	2 341	2 269
Other services	72 085	95 821	72 085	95 821
Transport	32 262	9 738	32 262	9 738
	287 717	241 277	287 717	241 277
7.2 Instalment finance				
Gross investment in instalment finance	34 897	10 437	34 897	10 437
Unearned finance charges deducted	10 185	4 720	10 185	4 720
Net investment in instalment finance	24 712	5 717	24 712	5 717
Receivable within 1 year	688	2 994	688	2 994
Receivable after 1 year but within 5 years	24 024	2 723	24 024	2 723

7.3 Credit impairments for loans and advances

A reconciliation of the allowance for impairment losses for loans and advances to customers, by class:

2008	Instalment						Total
	Mortgage lending	sale and finance leases	Card debtors	Other loans and advances	Corporate lending	Commercial property finance	
Group	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Non-performing loans							
Balance at beginning of the year	-	-	-	2 756	-	-	2 756
Discount element recognised in interest income	-	-	-	(384)	-	-	(384)
Net provisions raised/(released) ¹	-	1 029	-	3 153	-	-	4 182
Exchange and other movements	-	-	-	5 054	-	-	5 054
Balance at end of the year	-	1 029	-	10 579	-	-	11 608
Performing loans							
Balance at beginning of the year	30	57	-	1 955	-	-	2 042
Net provisions (released)/raised ¹	15	81	-	262	-	-	358
Balance at end of the year	45	138	-	2 217	-	-	2 400
Total	45	1 167	-	12 796	-	-	14 008
2007							
Group	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Non-performing loans							
Balance at beginning of the year	-	-	-	549	1,405	-	1,954
Discount element recognised in interest income	-	-	-	(107)	-	-	(107)
Net provisions raised/(released) ¹	-	-	-	(760)	(206)	-	(966)
Exchange and other movements	-	-	-	2,053	-	-	2,053
Balance at end of the year	-	-	-	1,735	1,199	-	2,934
Performing loans							
Balance at beginning of the year	6	-	-	33	332	-	371
Net provisions raised ¹	24	57	-	384	1,028	-	1 493
Exchange and other movements	-	-	-	-	-	-	-
Balance at end of the year	30	57	-	417	1,360	-	1,864
Total	30	57	-	2,152	2,559	-	4,798

¹Net provisions raised less recoveries of amounts written off in previous years equals income statement impairment charges (note 21.7).

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

7 Loans and advances continued

7.3 Credit impairments for loans and advances continued

A reconciliation of the allowance for impairment losses for loans and advances to customers, by class:

2008	Instalment		Card	Other	Commercial		Total
	Mortgage	sale and			loans and	Corporate	
Bank	lending	finance	debtors	advances	lending	finance	
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Non-performing loans							
Balance at beginning of the year	-	-	-	2 756	-	-	2 756
Discount element recognised in interest income	-	-	-	(384)	-	-	(384)
Net provisions raised/(released) ¹	-	1 029	-	3 153	-	-	4 182
Exchange and other movements	-	-	-	5 054	-	-	5 054
Balance at end of the year	-	1 029	-	10 579	-	-	11 608
Performing loans							
Balance at beginning of the year	30	57	-	1 955	-	-	2 042
Net provisions (released)/raised ¹	15	81	-	262	-	-	358
Exchange and other movements	-	-	-	-	-	-	-
Balance at end of the year	45	138	-	2 217	-	-	2 400
Total	45	1 167	-	12 796	-	-	14 008

2007	Instalment		Card	Other	Commercial		Total
	Mortgage	sales and			loans and	Corporate	
Bank	lending	finance	debtors	advances	lending	finance	
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Non-performing loans							
Balance at beginning of the year	-	-	-	549	1 405	-	1 954
Discount element recognised in interest income	-	-	-	(107)	-	-	(107)
Net provisions raised/(released) ¹	-	-	-	(760)	(206)	-	(966)
Exchange and other movements	-	-	-	2 053	-	-	2 053
Balance at end of the year	-	-	-	1 735	1 199	-	2 934
Performing loans							
Balance at beginning of the year	6	-	-	33	332	-	371
Net provisions (released)/raised ¹	24	57	-	384	1 028	-	1 493
Exchange and other movements	-	-	-	-	-	-	-
Balance at end of the year	30	57	-	417	1 360	-	1 864
Total	30	57	-	2 152	2 559	-	4 798

¹Net provisions raised less recoveries of amounts written off in previous years equals income statement impairment charges (note 21.7).

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Segmental analysis of impairments for non-performing loans - industry				
Agriculture	2 396	491	2 396	491
Construction	1 119	87	1 119	87
Electricity	112	180	112	180
Finance, real estate and other business services	2 703	915	2 703	915
Individuals	769	136	769	136
Manufacturing	222	82	222	82
Mining	1,093	48	1,093	48
Other services	3 054	760	3 054	760
Transport	140	235	140	235
	11 608	2 934	11 608	2 934

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	Group		Bank	
	2008 GHS ('000)	2007 GHS ('000)	2008 GHS ('000)	2007 GHS ('000)
8 Other assets				
Items in the course of collection	12 295	8 261	12 295	8 261
Other debtors	13 559	12 179	13 553	12 179
	25 854	20 440	25 848	20 440
9 Interest in group companies				
Interest in subsidiary companies	-	-	160	160
	-	-	160	160

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	Cost	2008		Net book value	Cost	2007	
		GHS ('000)	Accumulated amortisation and impairment GHS ('000)			GHS ('000)	GHS ('000)
10 Intangible assets							
10.1 Group							
Summary							
Computer software		452	75	377	213	28	185
Total		452	75	377	213	28	185

2008	2007	2008		2007			2008
Net book value	Net book value	Additions	Disposals	Amortisation	Impairments	Transfers	Net book value
GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Movement							
Computer software	185	239	-	(47)	-	-	377
Total	185	239	-	(47)	-	-	377

2007	2006	2007		2006			2007
Net book value	Net book value	Additions	Disposals	Amortisation	Impairments	Transfers	Net book value
GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Movement							
Computer software	5	213	-	(33)	-	-	185
Total	5	213	-	(33)	-	-	185

	Cost	2008		Net book value	Cost	2007	
		GHS ('000)	Accumulated amortisation and impairment GHS ('000)			GHS ('000)	GHS ('000)
10.2 Bank							
Summary							
Computer software		440	75	365	213	28	185
Total		440	75	365	213	28	185

2008	2007	2008		2007			2008
Net book value	Net book value	Additions	Disposals	Amortisation	Impairments	Transfers	Net book value
GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Movement							
Computer software	185	227	-	(47)	-	-	365
Total	185	227	-	(47)	-	-	365

2007	2006	2007		2006			2007
Net book value	Net book value	Additions	Disposals	Amortisation	Impairments	Transfers	Net book value
GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Movement							
Computer software	5	213	-	(33)	-	-	185
Total	5	213	-	(33)	-	-	185

On January 7 2008 the Bank of Ghana introduced a new National Payment System, E-ZWICH. To participate, all bank's were required to pay a licencing fee for access. Since securing the licence, the Bank has been implementing all the technical requirements to fully access the payment system to obtain the economic benefits expected with membership. Annually, the Bank tests all intangible assets for impairment and at present there is no indication of impairment.

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	2008			2007			
	Cost GHS ('000)	Accumulated depreciation GHS ('000)	Net book value GHS ('000)	Cost GHS ('000)	Accumulated depreciation GHS ('000)	Net book value GHS ('000)	
11 Property and equipment							
11.1 Group							
Work in progress	2 320	-	2 320	138	-	138	
Equipment							
Computer equipment	4 892	2 067	2 825	3 129	1 240	1 889	
Motor vehicles	517	240	277	366	187	179	
Office equipment and furniture	10 374	2 359	8 015	3 917	957	2 960	
Total	15 783	4 666	11 117	7 412	2 384	5 028	
Total	18 103	4 666	13 437	7 550	2 384	5 166	
2008	2007	2008	2008	2007	2008	2008	
	Net book value	Additions	Disposals	Transfers	Depreciation	Depreciation released	Net book value
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Movement							
Work in progress	138	2 259	-	(77)	-	-	2 320
Equipment							
Computer equipment	1 889	1 763	-	-	(827)	-	2 825
Motor vehicles	179	187	(36)	-	(85)	32	277
Office equipment and furniture	2 960	6 379	-	77	(1 401)	-	8 015
Total	5 028	8 329	(36)	77	(2 313)	32	11 117
Total	5 166	10 588	(36)	-	(2 313)	32	13 437
2007	2006	2007	2007	2007	2007	2007	2007
	Net book value	Additions	Disposals	Transfers	Depreciation	Depreciation released	Net book value
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Movement							
Work in progress	491	138	-	(491)	-	-	138
Equipment							
Computer equipment	561	1 723	-	103	(498)	-	1 889
Motor vehicles	170	78	(37)	-	(65)	33	179
Office equipment and furniture	719	2 233	-	388	(380)	-	2 960
Total	1 450	4 034	(37)	491	(943)	33	5 028
Total	1 941	4 172	(37)	-	(943)	33	5 166

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	2008			2007		
	Cost GHS ('000)	Accumulated depreciation GHS ('000)	Net book value GHS ('000)	Cost GHS ('000)	Accumulated depreciation GHS ('000)	Net book value GHS ('000)
11 Property and equipment						
11.1 Bank						
Work in progress	2 320	-	2 320	138	-	138
Equipment						
Computer equipment	4 892	2 067	2 825	3 129	1 240	1 889
Motor vehicles	517	240	277	366	187	179
Office equipment and furniture	10 374	2 359	8 015	3 917	957	2 960
	15 783	4 666	11 117	7 412	2 384	5 028
Total	18 103	4 666	13 437	7 550	2 384	5 166

	2008						2008
	Net book value GHS ('000)	Additions GHS ('000)	Disposals GHS ('000)	Transfers GHS ('000)	Depreciation GHS ('000)	Depreciation released GHS ('000)	Net book value GHS ('000)
Movement							
Work in progress	138	2 259	-	(77)	-	-	2 320
Equipment							
Computer equipment	1 889	1 763	-	-	(827)	-	2 825
Motor vehicles	179	187	(36)	-	(85)	32	277
Office equipment and furniture	2 960	6 379	-	77	(1 401)	-	8 015
	5 028	8 329	(36)	77	(2 313)	32	11 117
Total	5 166	10 588	(36)	-	(2 313)	32	13 437

	2007						2007
	Net book value GHS ('000)	Additions GHS ('000)	Disposals GHS ('000)	Transfers GHS ('000)	Depreciation GHS ('000)	Depreciation released GHS ('000)	Net book value GHS ('000)
Movement							
Work in progress	491	138	-	(491)	-	-	138
Equipment							
Computer equipment	561	1 723	-	103	(498)	-	1 889
Motor vehicles	170	78	(37)	-	(65)	33	179
Office equipment and furniture	719	2 233	-	388	(380)	-	2 960
	1 450	4 034	(37)	491	(943)	33	5 028
Total	1 941	4 172	(37)	-	(943)	33	5 166

	Group		Bank	
	2008 GHS ('000)	2007 GHS ('000)	2008 GHS ('000)	2007 GHS ('000)
11.2 Gain on sale of fixed assets				
Net book value				
Gross book value	36	37	36	37
Accumulated Depreciation	(32)	(33)	(32)	(33)
	4	4	4	4
Sale proceeds	17	9	17	9
Gain on sale	13	5	13	5

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
12 Ordinary share capital				
12.1 Authorised				
- Number of ordinary shares of no par value: 500 000 000 (2007: 100 000 000)				
12.2 Issued				
- Number of ordinary shares issued and full paid 84 224 914 (2007:73 222 449)				
- Number of ordinary shares issued for cash consideration 83 781 314 (2007: 72 778 849)	18 281	7 278	18 281	7 278
- Number of ordinary shares issued for non-cash consideration 443 600 (2007: 443 600)	44	44	44	44
	18 325	7 322	18 325	7 322

In September 2008, additional shares were offered to shareholders through a rights issue at a ratio of 0.154 new shares for each existing share held at a price of GHS 1 per share. A total of 11,278,234 new shares have been allotted to shareholders.

12.3 Analysis of shareholding

2008

By number of shares

Category	No of shareholders	No of shares held	Percentage holding
1-1 000	-	-	0.00%
1 000 - 5 000	-	-	0.00%
5 000 - 50 000	4	63 902	0.08%
Over 50 001	3	84 161 012	99.92%
	7	84 224 914	100%

Analysis of shareholding

2007

By number of shares

Category	No of shareholders	No of shares held	Percentage holding
1-1 000	-	-	0.00%
1 000 - 5 000	1	3 200	0.00%
5 000 - 50 000	3	58 209	0.08%
Over 50 001	3	73 161 040	99.92%
	7	73 222 449	100%

By name

Shareholder	2008		2007	
	No of Shares held	Percentage Holding	No of shares held	Percentage Holding
Stanbic Africa Holdings Limited - U.K.	82 415 841	97.85%	71 415 869	97.53%
Edward Henaku Boohene	1 466 546	1.74%	1 466 546	2.00%
Starwin Product Ltd	278 625	0.33%	278 625	0.38%
Bigfat Service Ltd	25 289	0.03%	25 289	0.04%
Joeseeph Ofori	22 920	0.03%	22 920	0.03%
Kwame C. Serbeh-Yiadom	10 000	0.01%	10 000	0.01%
Kwaku Gyesei Twum	5 693	0.01%	3 200	0.01%
	84 224 914	100.00%	73 222 449	100.00%

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
12.4 Statutory Reserve				
At 1 January	6 846	4 119	6 831	4 119
Transfer from profit after tax	3 679	2 727	3 679	2 712
	10 525	6 846	10 510	6 831

Statutory reserve fund represents the cumulative amounts set aside from the annual profit after tax as required by section 29 of the Banking Act, 2004 (Act 673). The proportion of profits after tax transferred to this reserve ranges between 12.5% and 50% depending on the ratio of existing statutory reserve fund to paid-up capital of the Bank.

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
13 Trading liabilities				
Unlisted/Undated	16 779	43 198	16 779	43 198
	16 779	43 198	16 779	43 198
Maturity analysis				
The maturities represent periods to contractual redemption of the trading liabilities recorded.				
- Maturing after 1 month but within 6 months	16 779	43 198	16 779	43 198
	16 779	43 198	16 779	43 198
14 Deposit and current accounts				
Deposits from banks	73 785	24 642	73 785	24 642
- Deposits from banks and central bank	73 785	24 642	73 785	24 642
Deposits from customers	295 960	241 399	296 120	241 559
- Current accounts	148 532	116 376	148 532	116 536
- Call deposits	56 984	83 509	57 144	83 509
- Savings accounts	10 700	7 434	10 700	7 434
- Term deposits	79 744	34 080	79 744	34 080
Deposit and current accounts	369 745	266 041	369 905	266 201
Maturity analysis				
The maturity analysis is based on the remaining periods to contractual maturity from year end.				
- Repayable on demand	16 260	123 810	16 420	123 970
- Maturing within 1 month	303 633	58 910	303 633	58 910
- Maturing after 1 month but within 6 months	47 342	67 130	47 342	67 130
- Maturing after 6 months but within 12 months	2 360	5 952	2 360	5 952
- Maturing after 12 months	150	10 239	150	10 239
	369 745	266 041	369 905	266 201
15 Deferred taxation				
15.1 Deferred tax analysis				
Depreciation	(448)	(212)	(448)	(212)
Fair value adjustments of financial instruments	680	-	680	-
Impairment charges on loans and advances	2 886	820	2 886	820
Deferred tax closing balance	3 118	608	3 118	608
Deferred tax liability	448	229	448	229
Deferred tax asset	3 566	837	3 566	837
15.2 Deferred tax reconciliation				
Deferred tax balance at beginning of the year	608	611	608	611
Various categories of originating/(reversing) temporary differences for the year:	2 510	(3)	2 510	(3)
Depreciation	(236)	(197)	(236)	(197)
Fair value adjustments of financial instruments	680	-	680	-
Impairment charges on loans and advances	2 066	194	2 066	194
Deferred tax balance at end of the year	3 118	608	3 118	608
16 Other liabilities				
Items in the course of transmission	3 502	2 049	3 502	2 049
Other liabilities and accruals	9 170	5 832	9 158	5 832
	12 672	7 881	12 660	7 881
17 Subordinated debt				
Unsecured, subordinated, redeemable bonds				
Qualifying as Tier II capital in terms of applicable banking legislation	9 826	8 161	9 826	8 161
Total subordinated debt	9 826	8 161	9 826	8 161

The group did not default on principal or interest and no other breaches with respect to its liabilities occurred during the period (2007:Nil)

The difference between the carrying and notional value represents accrued interest. The notional value of the subordinated debt is **GHS 9.7 million** (2007: 7.8 million) and a carrying value of **GHS 9.8 million** (2007: GHS 8.2 million)

US\$ Libor plus 2.25% subordinated debt issued in US dollars. These debts may be redeemed after 5 years. After this option date, the debts carry an additional interest of 1%. The debts matures in September 2016

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

18 Classification of assets and liabilities

Accounting classifications and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values.

	Note	Held for trading	Loans and receivables	Available-for-sale	Other amortised cost	Other non-financial assets/liabilities	Total carrying amount	Fair value ¹
18.1 Group		GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
2008								
Financial assets								
Cash and balances with the central bank	2	-	47 736	-	-	-	47 736	47 736
Derivative assets	3	3 764	-	-	-	-	3 764	3 764
Trading assets	4	17 714	-	-	-	-	17 714	17 714
Pledged assets	5	-	-	6 400	-	-	6 400	6 400
Financial investments	6	-	-	52 433	-	-	52 433	52 433
Loans and advances to banks	7	-	46 483	-	-	-	46 483	46 483
Loans and advances to customers	7	-	241 234	-	-	-	241 234	241 234
Interest in group companies	9	-	-	-	-	-	-	-
Other non-financial assets		-	-	-	-	43 234	43 234	-
		21 478	335 453	58 833	-	43 234	458 998	415 764
Financial liabilities								
Derivative liabilities	3	-	-	-	2 982	-	2 982	2 982
Trading liabilities	13	16 779	-	-	-	-	16 779	16 779
Deposits from banks	14	-	-	-	73 785	-	73 785	73 785
Deposits from customers	14	-	-	-	295 960	-	295 960	295 960
Subordinated debt	17	-	-	-	9 826	-	9 826	9 826
Other non-financial liabilities		-	-	-	-	13 970	13 970	-
		16 779	-	-	382 553	13 970	413 302	399 332
2007								
Financial assets								
Cash and balances with the central bank	2	-	39 097	-	-	-	39 097	39 097
Derivative assets	3	359	-	-	-	-	359	359
Trading assets	4	24 565	-	-	-	-	24 565	24 565
Pledged assets	5	-	-	6 000	-	-	6 000	6 000
Financial investments	6	-	-	14 282	-	-	14 282	14 282
Loans and advances to banks	7	-	46 157	-	-	-	46 157	46 157
Loans and advances to customers	7	-	195 120	-	-	-	195 120	195 120
Interest in group companies	9	-	-	-	-	-	-	-
Other non-financial assets		-	-	-	-	26 628	26 628	-
		24 924	280 374	20 282	-	26 628	352 208	325 580
Financial liabilities								
Derivative liabilities	3	494	-	-	-	-	494	494
Trading liabilities	13	43 198	-	-	-	-	43 198	43 198
Deposits from banks	14	-	-	-	24 642	-	24 642	24 642
Deposits from customers	14	-	-	-	241 399	-	241 399	241 399
Subordinated debt	17	-	-	-	8 161	-	8 161	8 161
Other non-financial liabilities		-	-	-	-	8 179	8 179	-
		43 692	-	-	274 202	8 179	326 073	317 894

¹ Carrying value has been used where it closely approximates fair value.

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

18 Classification of assets and liabilities continued

Accounting classifications and fair values(continued)

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values.

	Note	Held for trading	Loans and receivables	Available-for-sale	Other amortised cost	Other non-financial assets/liabilities	Total carrying amount	Fair value ¹
		GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
18.2 Bank								
2008								
Financial assets								
Cash and balances with the central bank	2	-	47 708	-	-	-	47 708	47 708
Derivative assets	3	3 764	-	-	-	-	3 764	3 764
Trading assets	4	17 714	-	-	-	-	17 714	17 714
Pledged assets	5	-	-	6 400	-	-	6 400	6 400
Financial investments	6	-	-	52 433	-	-	52 433	52 433
Loans and advances to banks	7	-	46 483	-	-	-	46 483	46 483
Loans and advances to customers	7	-	241 234	-	-	-	241 234	241 234
Interest in group companies	9	-	160	-	-	-	160	-
Other non-financial assets		-	-	-	-	43 216	43 216	-
		21 478	335 585	58 833	-	43 216	459 112	415 736
Financial liabilities								
Derivative liabilities	3	2 982	-	-	-	-	2 982	2 982
Trading liabilities	13	16 779	-	-	-	-	16 779	16 779
Deposits from banks	14	-	-	-	73 785	-	73 785	73 785
Deposits from customers	14	-	-	-	296 120	-	296 120	296 120
Subordinated debt	17	-	-	-	9 826	-	9 826	9 826
Other non-financial liabilities		-	-	-	-	13 958	13 958	-
		19 761	-	-	379 731	13 958	413 450	399 492
2007								
Financial assets								
Cash and balances with the central bank	2	-	39 097	-	-	-	39 097	39 097
Derivative assets	3	359	-	-	-	-	359	359
Trading assets	4	24 565	-	-	-	-	24 565	24 565
Pledged assets	5	-	-	6 000	-	-	6 000	6 000
Financial investments	6	-	-	14 282	-	-	14 282	14 282
Loans and advances to banks	7	-	46 157	-	-	-	46 157	46 157
Loans and advances to customers	7	-	195 120	-	-	-	195 120	195 120
Interest in group companies	9	-	-	-	-	160	160	-
Other non-financial assets		-	-	-	-	26 628	26 628	-
		24 924	280 374	20 282	-	26 788	352 368	325 580
Financial liabilities								
Derivative liabilities	3	494	-	-	-	-	494	494
Trading liabilities	13	43 198	-	-	-	-	43 198	43 198
Deposits from banks	14	-	-	-	24 642	-	24 642	24 642
Deposits from customers	14	-	-	-	241 559	-	241 559	241 559
Subordinated debt	17	-	-	-	8 161	-	8 161	8 161
Other non-financial liabilities		-	-	-	-	8 179	8 179	-
		43 692	-	-	274 362	8 179	326 233	318 054

¹ Carrying value has been used where it closely approximates fair value.

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

19 Concentration of assets, liabilities and off balance sheet items

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2008. Included in the table are the Group's assets, liabilities and off balance sheet items at carrying amounts categorised by currency. The amounts stated in the table are the cedi equivalents of the foreign currencies.

	USD	GBP	ZAR	GHC	Other	Total
19.1 Group						
2008						
Assets						
Cash and balances with the central bank	15 296	939	100	29 274	2 127	47 736
Derivative assets	2 137	-	-	-	1 627	3 764
Trading assets	-	-	-	17 714	-	17 714
Pledged assets	-	-	-	6 400	-	6 400
Financial investments	-	-	-	52 433	-	52 433
Loans and advances to banks	35 362	382	442	9 743	554	46 483
Loans and advances to customers	79 157	-	-	156 607	5 470	241 234
Deferred tax	-	-	-	3 566	-	3 566
Other assets	1 490	-	2	22 337	2 025	25 854
Intangible assets	-	-	-	377	-	377
Property and equipment	-	-	-	13 437	-	13 437
Interest in group companies	-	-	-	-	-	-
Other non-financial assets	-	-	-	-	-	-
Total assets	133 442	1 321	544	311 888	11 803	458 998
Liabilities						
Derivative liabilities	-	-	-	2 982	-	2 982
Trading liabilities	-	-	-	16 779	-	16 779
Deposits from banks	25 114	704	240	44 861	2 866	73 785
Deposits from customers	116 554	602	29	176 288	2 487	295 960
Current taxation	-	-	-	850	-	850
Deferred taxation	-	-	-	448	-	448
Other liabilities	1 521	116	50	10 919	66	12 672
Subordinated debt	9 826	-	-	-	-	9 826
Total liabilities	153 015	1 422	319	253 127	5 419	413 302
Net on balance sheet position	(19 573)	(101)	225	58 761	6 384	45 696
Letters of Credit Commitments	17 983	-	-	-	197	18 180
Guarantee Commitments	1 166	-	-	7 494	-	8 660
Net Open Position as at 31 December 2008	(424)	(101)	225	66 255	6 581	72 536
31 December 2007						
Total assets	113 070	452	948	228 217	8 381	351 068
Total liabilities	112 031	447	189	159 075	54 331	326 073
Net on balance sheet position	1 039	5	759	69 142	(45 950)	24 995
Letters of Credit Commitments	24 141	-	254	-	1 948	26 343
Guarantee Commitments	3 204	-	-	3 471	372	7 047
Net Open Position as at 31 December 2007	28 384	5	1 013	72 613	(43 630)	58 385

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

19 Concentration of assets, liabilities and off balance sheet items (continued)

	USD	GBP	ZAR	GHC	Other	Total
19.2 Bank						
2008						
Financial assets						
Cash and balances with the central bank	15 296	939	100	29 246	2 127	47 708
Derivative assets	2 137	-	-	-	1 627	3 764
Trading assets	-	-	-	17 714	-	17 714
Pledged assets	-	-	-	6 400	-	6 400
Financial investments	-	-	-	52 433	-	52 433
Loans and advances to banks	35 362	382	442	9 743	554	46 483
Loans and advances to customers	79 157	-	-	156 607	5 470	241 234
Deferred tax	-	-	-	3 566	-	3 566
Other assets	1 490	-	2	22 331	2 025	25 848
Intangible assets	-	-	-	365	-	365
Property and equipment	-	-	-	13 437	-	13 437
Interest in group companies	-	-	-	160	-	160
Total assets	133 442	1 321	544	312 002	11 803	459 112
Financial liabilities						
Derivative liabilities	-	-	-	2 982	-	2 982
Trading liabilities	-	-	-	16 779	-	16 779
Deposits from banks	29 601	704	240	40 374	2 866	73 785
Deposits from customers	116 554	602	29	176 448	2 487	296 120
Current taxation	-	-	-	850	-	850
Deferred taxation	-	-	-	448	-	448
Other liabilities	1 521	116	50	10 907	66	12 660
Subordinated debt	9 826	-	-	-	-	9 826
Total Liabilities	157 502	1 422	319	248 788	5 419	413 450
Net on balance sheet position	(24 060)	(101)	225	63 214	6 384	45 662
Letters of Credit Commitments	17 983	-	-	-	197	18 180
Guarantee Commitments	1 166	-	-	7 494	-	8 660
Net Open Position as at 31 December 2008	(4 911)	(101)	225	70 708	6 581	72 502
2007						
Total assets	113 070	452	948	228 217	8 381	351 068
Total liabilities	112 031	447	189	159 075	54 331	326 073
Net on balance sheet position	1 039	5	759	69 142	(45 950)	24 995
Letters of Credit Commitments	24 141	-	254	-	1 948	26 343
Guarantee Commitments	3 204	-	-	3 471	372	7 047
Net Open Position as at 31 December 2007	28 384	5	1 013	72 613	(43 630)	58 385

¹ Carrying value has been used where it closely approximates fair value.

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
20				
Contingent liabilities and capital commitments				
20.1				
Contingent liabilities				
Letters of credit	18 180	26 343	18 180	26 343
With cash collateral	2	69	2	69
Without cash collateral	18 178	26 274	18 178	26 274
Guarantees	8 660	7 047	8 660	7 047
With cash collateral	1 005	788	1 005	788
Without cash collateral	7 655	6 259	7 655	6 259
	26 840	33 390	26 840	33 390

No material losses are anticipated as a result of these transactions.

An acceptance is an undertaking to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursements by the customer is normally immediate. Letters of credit commit the Group to make payments to third parties, on production of documents, which are subsequently reimbursed by customer. Guarantees are generally written by a Group to support performance by a customer to their parties. The Group will only be required to meet these obligations in the event of the customer's default

20.2 Legal Claims

This is in respect of litigation involving customers and an ex employee pending in the court. Based on professional opinion and where reliable estimate can be made, provisions have been made for possible claims if the cases went against the Group at 31 December 2008 as **GHS 0.15 million** (2007: GHS 0.2 million).

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
21 Income statement information				
21.1 Interest income				
Interest on loans and advances and short-term funds	45 968	23 867	45 967	23 867
Interest on investments	3 978	2 304	3 978	2 304
Unwinding of discount element of credit impairments for loans and advances (note 7.3)	384	-	384	-
	50 330	26 171	50 329	26 171
Interest income reported above relates to financial assets not carried at fair value through profit and loss(2007: nil)				
21.2 Interest expense				
Current accounts	307	412	307	412
Savings and deposit accounts	7 094	3 733	7 094	3 733
Subordinated debt	511	317	511	317
Other interest-bearing liabilities	11 840	3 812	11 840	3 812
	19 752	8 274	19 752	8 274
Interest expense reported above relates to financial liabilities not carried at fair value through profit and loss(2007:nil).				
21.3 Fee and commission revenue				
Account transaction fees	4 822	3 637	4 788	3 637
Card based commission	130	4	130	4
Knowledge based fees and commission	67	136	67	136
Electronic banking fees	9	37	9	37
Foreign currency service fees	4 742	2 428	4 742	2 428
Other	1 620	1 740	1 620	1 740
	11 390	7 982	11 356	7 982
All fee and commission revenue reported above relates to financial assets or liabilities not carried at fair value through profit and loss for the Group and Bank.				
21.4 Fee and commission expense				
Account transaction fees	535	98	535	98
Card based commission	19	3	19	3
Documentation and administration fees	77	-	77	-
	631	101	631	101
All fee and commission expenses reported above relates to financial assets or liabilities not carried at fair value through profit and loss for the Group and Bank.				
21.5 Trading revenue				
Foreign exchange	10 481	3 916	10 481	3 916
Debt securities	605	100	605	100
Other	143	62	143	62
	11 229	4 078	11 229	4 078

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Income statement information continued				
21.6 Other revenue				
Property-related revenue (note 11.2)	13	5	13	5
	13	5	13	5
21.7 Credit impairment charges				
Net credit impairments raised for loans and advances	4 540	527	4 540	527
	4 540	527	4 540	527
Comprising:				
Net credit impairment for non-performing loans	4 540	527	4 540	527
Credit impairments for non-performing loans (note 7.3)	4 182	(966)	4 182	(966)
Credit impairments for performing loans (note 7.3)	358	1 493	358	1 493
	4 540	527	4 540	527
21.8 Staff costs				
Salaries and allowances	11 344	5 752	11 344	5 752
Other staff cost	1 369	1 479	1 369	1 479
	12 713	7 231	12 713	7 231
21.9 Other operating expenses				
Amortisation - intangible assets (note 10)	47	33	47	33
Auditors' remuneration	84	78	81	78
Audit fees - current year	84	78	81	78
Communication expense	791	318	786	318
Depreciation (note 11)	2 313	943	2 313	943
Equipment				
- Computer equipment	827	498	827	498
- Motor vehicles	85	65	85	65
- Office equipment	476	132	476	132
- Furniture and fittings	925	248	925	248
Information technology	1 998	1 480	1 998	1 480
Operating lease charges - premises	1 592	654	1 592	654
Premises	1 626	904	1 624	904
Professional fees	662	392	662	392
Other expenses	5 194	2 399	5 202	2 399
	14 307	7 201	14 305	7 201
22 Directors' emoluments				
Executive directors				
Emoluments of directors in respect of services rendered:				
As directors of the Bank	364	317	364	317
Non-executive directors				
Emoluments of directors in respect of services rendered:				
As directors of the Bank	61	79	61	79
	425	396	425	396

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
23 Taxation				
Indirect taxation	1 018	197	1 018	197
Direct taxation	5 251	3 797	5 251	3 797
	6 269	3 994	6 269	3 994
23.1 Indirect taxation				
Value added tax	963	197	963	197
Others	55	-	55	-
	1 018	197	1 018	197
23.2 Direct taxation				
Current year	5 251	3 797	5 251	3 797
- Corporate income tax	6 423	3 795	6 423	3 795
- Corporate deferred tax	(1 172)	2	(1 172)	2
	5 251	3 797	5 251	3 797

The aggregate current and deferred tax relating to items charged or credited to equity amounted to **GHS5.2 million** (2007: GHS3.8million).

Tax rate reconciliation (%)

The total taxation charge for the year as a percentage of net income before indirect taxation	30	27	30	27
Value added tax	(5)	(1)	(5)	(1)
The direct taxation charge for the year as a percentage of profit before direct taxation	25	26	25	26
The charge for the year has been reduced as a consequence of:				
- Other non-taxable income	-	(1)	-	(1)
- Other permanent differences	-	-	-	-
Standard rate of Ghana Income tax	25	25	25	25

23.3 Current tax

	Balance as at 1 January	Adjustments/charge to Income Statement	Payments during the year	Balance as at 31 December
Up to 2006	(127)	-	-	(127)
2 007	196	-	-	196
2 008	-	6 423	(5 642)	781
	69	6 423	(5 642)	850

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	Group		Bank	
	2008	2007	2008	2007
24 Earnings per share				
The calculations of basic earnings and headline earnings per share are as follows: ¹				
Earnings				
Basic earnings (GHS '000)	14 750	10 908	14 717	10 908
Weighted average number of ordinary shares in issue (thousands)	75 087	73 223	75 087	73 223
Basic earnings per share (pesewas)	19.64	14.90	19.60	14.90
Reconciliation of weighted average number of ordinary shares in issue (thousands)				
Shares in issue at beginning of the year	73 223	73 223	73 223	73 223
Effect of shares issued during the year	1 864	-	1 864	-
Weighted average number of ordinary shares in issue (thousands)	75 087	73 223	75 087	73 223
¹ Basic earnings per share equals diluted earnings per share as there are no potential dilutive ordinary shares in issue.				
25 Cash flow statement				
25.1 Reconciliation of net income from operating activities				
Income before taxation	21 019	14 902	20 986	14 902
Adjusted for:	8 170	117	8 170	117
Amortisation of intangible assets (note 10)	47	33	47	33
Credit impairment charges on loans and advances	4 540	527	4 540	527
Depreciation and impairment - property and equipment (note 11)	2 313	943	2 313	943
Discount element recognised from credit impairment for loans and advances	384	-	384	-
Interest adjustments on financial instruments and loans and advances	1 917	(1 184)	1 917	(1 184)
Indirect taxation (note 23.1)	(1 018)	(197)	(1 018)	(197)
Profit on sale of property and equipment (note 11)	(13)	(5)	(13)	(5)
Net cash flows from operating activities	29 189	15 019	29 156	15 019
25.2 Cash receipts from customers				
Interest income	50 875	23 755	50 874	23 755
Fees and commission revenue	10 759	7 882	10 725	7 882
Trading and other revenue	11 520	4 179	11 520	4 179
	73 154	35 816	73 119	35 816
25.3 Cash paid to customers, employees and suppliers				
Interest expense	18 288	7 135	18 288	7 135
Total operating expenses	25 677	13 662	25 675	13 662
	43 965	20 797	43 963	20 797
25.4 Increase in income-earning assets				
Loans and advances	55 380	124 587	55 380	124 587
Other assets	4 684	10 448	4 679	10 448
	60 064	135 035	60 059	135 035
25.5 Increase in deposits and other liabilities				
Customers' current, savings and other deposits, and deposits from banks	(25 851)	(180 988)	(25 851)	(180 988)
Other liabilities	(9 005)	(3 190)	(9 005)	(3 350)
	(34 856)	(184 178)	(34 856)	(184 338)

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	Group		Bank	
	2008 GHS ('000)	2007 GHS ('000)	2008 GHS ('000)	2007 GHS ('000)
25 Cash flow statement continued				
25.6 Direct taxation paid				
Current and deferred tax at beginning of the year	539	737	539	737
Income statement charge	(5 251)	(3 417)	(5 251)	(3 417)
Charge directly to equity	1 338	-	1 338	-
Current and deferred tax at end of the year	(2 268)	(1 009)	(2 268)	(1 009)
	(5 642)	(3 689)	(5 642)	(3 689)
25.7 Proceeds from issue of share capital to shareholder				
Ordinary share capital	11 003	-	11 003	-
	11 003	-	11 003	-

26 Related party transactions

26.1 Parent

Stanbic Africa Holdings Limited, a company incorporated in the United Kingdom, holds **97.85%** (2007: 97.53%) of the issued shares of the Bank.

26.2 Subsidiaries

Subsidiary	Nature of operation	Authorised share capital	Issued share capital	Effective holding
Standard Investment Management Services Limited	Asset management	1 600 000	1 600 000	100%

26.3 Key management personnel

Key management personnel for the Group and the Bank has been defined as: The Stanbic Bank Ghana Limited board of directors and its executive committee. The definition of key management includes the close members of family of key management personnel and any entity over which key management exercise control. Close members of family are those family members who may be expected to influence or be influenced by that individual in their dealings with Stanbic Bank Ghana Limited. They may include the individual's domestic partner and children, the children of the individual's domestic partner, and dependants of the individual or the individual's domestic partner.

Key management compensation

	Group		Bank	
	2008 GHS ('000)	2007 GHS ('000)	2008 GHS ('000)	2007 GHS ('000)
Salaries and other short-term benefits	3 073	1 924	3 073	1 924
	3 073	1 924	3 073	1 924
Mortgage loans				
Loans outstanding at beginning of the year	710	294	710	294
Loans granted during the year	705	409	705	409
Loan repayments during the year	(101)	(17)	(101)	(17)
Interest earned	52	24	52	24
Loans outstanding at end of the year	1 366	710	1 366	710
Interest rate range for the year	5%	5%	5%	5%

No impairment has been recognised in respect of loans granted to key management (2007: GHS nil).
Mortgage loans are repayable monthly over 20 years.

Vehicle and asset finance

Loans outstanding at beginning of the year	319	69	319	69
Net new loans granted	187	294	187	294
Net repayments	(130)	(56)	(130)	(56)
Net interest earned	40	12	40	12
Loans outstanding at end of the year	416	319	416	319
Interest rate range for the year	5%	5%	5%	5%

Impairment recognised in respect of loans granted to key management for 2008 **GHS 0.06 million** (2007: GHS nil).

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
26 Related party transactions continued				
26.4 Other loans				
Loans outstanding at 1 January	1 169	80	1 169	80
Net new loans issued	110	1 200	110	1 200
Net repayments	(182)	(116)	(182)	(116)
Net interest charge	496	5	496	5
Loans outstanding at 31 December	1 593	1 169	1 593	1 169
Interest rate range for the year	5%	5%	5%	5%

Provisions recognised in respect of loans given to related parties 2008: **GHS 0.08 million** (2007: nil). The loans issued to key management are repayable monthly over 3 years

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
26 Related party transactions continued				
26.5 Cheque and current accounts				
Credit balance at beginning of the year	191	187	191	187
Interest paid	(1)	-	(1)	-
Interest earned and service fee charges	18	10	18	10
Net (withdrawals)/deposits	338	(6)	338	(6)
Credit balance at end of the year	546	191	546	191

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

27 Financial Risk management

The Group recognises that embedded in its core business activities are diverse elements of financial risk which impact earnings and balance sheet growth. A risk management framework approved by the Board of Directors has therefore been designed to ensure effective identification, measurement and control of risks within limits commensurate with the Group's risk appetite. This policy framework sets appropriate risk limits and controls which are continually evaluated to ensure alignment with the Group's growth strategies, market dynamics, the regulatory environment and emerging best practices. Various Committees have oversight responsibilities for ensuring adherence to these limits by means of reliable management information systems and rigorous appraisals.

The Internal Audit function regularly conducts independent review of the adequacy of the risk management and control environment and reports directly to the Board. The evaluation covers such key areas as credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and re-pricing risk. Compliance and reputational risks are covered under operational risk. In managing these risks, a holistic approach is adopted by Management, recognising that a combination of these risks occurring concurrently could cause significant loss. A Risk Management department exists to coordinate all aspects of risk and assist line managers in the management of risks within their individual business units. For all levels throughout the Group, tailored risk reports are prepared and distributed regularly in order to ensure that management and staff have access to comprehensive risk information important to their areas of responsibilities.

Daily information is collated on the utilisation of market limits, proprietary instruments plus any other risk developments

28 Credit Risk

The Group takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss for the Group by failing to discharge an obligation in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors. The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

28.1 Credit risk measurement

Loans and advances

The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the Group are segmented into four rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

Group's internal ratings scale

Group's rating	Description of the grade	Average no of Days of Delinquency
A – C	Current	less than 30 days
D	Olem	30 - less than 90 days
E1	Sub-standard	90 - less than 180 days
E2	Doubtful	180 - less than 360 days
F	Loss	360 days and above

28.2 Risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

28 Credit Risk continued

(a) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

Collateral held as security for loans and advances is determined by the nature of the loan among other factors. Debt securities, treasury and other eligible bills are generally unsecured.

(b) Derivatives

Derivatives mainly used by the Group are foreign exchange contracts and foreign currency swaps. The Group maintains strict control limits on net open derivative positions (ie, the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group (ie, assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

(c) Credit related commitments

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

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

28.3 Impairment and provisioning policy

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment (see accounting policy number 6). The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances. The majority of the impairment provision comes from the bottom two grading.

Indicators of objective evidence includes:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

28 Credit Risk continued

Individually assessed allowances

The Group determines the allowances appropriate for each individually significant loan or advances on an individual basis. Items considered when determining allowance amounts include projected receipts, the realisable value of collateral and timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans where there is not yet objective evidence of individual impairment. The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipt and recoveries once impaired. Management is responsible for deciding the length of this period which can extend for as long as one year.

28.4 Maximum exposure to credit risk without taking into account any collateral or other credit enhancements

The table below shows the maximum exposure to credit risk by class of financial instrument. Financial instruments include financial instruments defined and recognised under IAS 39 as well as other financial instruments not recognised. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Group		Bank	
	2008 GHS ('000)	2007 GHS ('000)	2008 GHS ('000)	2007 GHS ('000)
Gross maximum exposure				
Cash and balances with Bank of Ghana (excluding cash on hand)	36 356	39 089	36 356	39 089
Derivative financial instruments	3 764	359	3 764	359
Trading assets	17 714	24 565	17 714	24 565
Pledged assets	6 400	6 000	6 400	6 000
Financial investments	52 433	14 282	52 433	14 282
Loans and advances to banks	46 483	46 157	46 483	46 157
Loans and advances to customers	241 234	199 919	241 234	199 919
Total recognised financial instruments	404 384	330 371	404 384	330 371
Letters of credit commitments	18 180	26 343	18 180	26 343
Guarantee commitments	8 660	7 047	8 660	7 047
Total unrecognised financial instruments	26 840	33 390	26 840	33 390
Total credit risk exposure	431 224	363 761	431 224	363 761

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

28 Credit Risk continued

28.5 Description of collateral held as security and other credit enhancements, in respect of the exposures

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral held by the Group include cash or securities, mortgages over residential properties, inventory and trade receivables. The Group also obtains guaranties from parent companies for loans to their subsidiaries, but the benefits are not included in the above table. Management during its review of the adequacy of the allowance for impairment losses uses its experienced judgement among other factors in the determination of the collateral values that is incorporated in the credit impairment calculations. The nominal value of collateral held as at 2008 **GHS 260million** (2007: GHS 221million).

28.6 Collateral repossessed

The value of repossessed assets is nil (2007:nil)

28.7 Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of financial asset for credit risk related items, based on the Group's credit rating system.

	Neither past due nor impaired	Past due but not impaired	Individually Impaired			Gross maximum exposures	Security against impairment loans	Net impaired exposures		
			Current	Olem	Sub - Standard				Doubtful	Loss
			2008	2008	2008				2008	2008
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)		
Credit quality										
Loans and advances to banks	46 483	-	-	-	-	46 483	-	-		
Loans and advances to customers										
- Mortgage Lending	4 691	-	-	-	-	4 691	-	-		
- Instalment sales and finance leases	18 820	2 101	2 180	1 611	-	24 712	3 791	-		
- Card debtors	-	-	-	-	-	-	-	-		
- Other loans and advances	190 245	5 633	15 171	8 692	6 098	225 839	28 528	1 433		
Gross loans and advances	260 239	7 734	17 351	10 303	6 098	301 725	32 319	1 433		

	Neither past due nor impaired	Past due but not impaired	Individually Impaired			Gross maximum exposures	Security against impairment loans	Net impaired exposures		
			Current	Olem	Sub - Standard				Doubtful	Loss
			2007	2007	2007				2007	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)		
Credit quality										
Loans and advances to banks	46 157	-	-	-	-	46 157	-	-		
Loans and advances to customers										
- Mortgage Lending	3 033	-	-	-	-	3 033	-	-		
- Instalment sales and finance leases	5 717	-	-	-	-	5 717	-	-		
- Card debtors	-	-	-	-	-	-	-	-		
- Other loans and advances	180 375	6 303	21	150	4 319	191 168	4 319	171		
Gross loans and advances	235 282	6 303	21	150	4 319	246 075	4 319	171		

The fair value of collateral that the Group and Bank holds relating to loans individually determined to be impaired at 31 December 2008 amount to **GHS 32.3million** (2007: GHS 4.3million).

The olem category above incorporates all the past due but not impaired financial assets. The assets within this category fall within the 30 to 90 day overdue period.

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

29 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are overdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Asset and Liability Committee (ALCO) sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Group's liquidity management processes include:

- Day to day funding, managed by monitoring future cash flows to ensure that requirements can be met in the Global Market (Treasury) space. This includes replenishment of funds as they mature or are borrowed by customers. Stress testing using scenario analysis is employed to assess the impact of unlikely but plausible events on liquidity positions;
- Maintaining a portfolio of highly marketable assets above clearly defined thresholds which can be liquidated promptly with minimal loss;
- Closely monitoring actual and potential movements within the top 20 depositors and lenders brackets;
- Daily monitoring of balance sheet liquidity ratios against internal and regulatory requirements by the Assets and Liability Management unit to ensure that any identified gaps are catered for;
- Managing the concentration and profile of debt maturities;
- Assessing future liquidity needs through the ALCO process;
- Regular monitoring of the impact of off-balance sheet contingent liabilities like standby letters of credit and guarantees;
- Accessing credit lines available within the Standard Bank Group; and
- Invoking the measures outlined in the Liquidity Contingency Plan approved by the Board of Directors.

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

29.1 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the remaining contractual maturities of the financial assets and liabilities based on undiscounted cash flows:

Group	Redeemable on demand 2008 GHS ('000)	Maturing within 1 month 2008 GHS ('000)	Maturing after 1 month but within 6 months 2008 GHS ('000)	Maturing after 6 months but within 12 months 2008 GHS ('000)	Maturing after 12 months but within 5 years 2008 GHS ('000)	Maturing after 5 years 2008 GHS ('000)	Total 2008 GHS ('000)
Financial assets	47 708	95 281	53 027	57 760	175 968	-	429 744
Cash and balances with central bank	47 708	-	-	-	-	-	47 708
Derivative financial instruments	-	-	-	-	-	-	-
<i>Contractual amounts receivable</i>	-	-	3 764	-	-	-	3 764
<i>Contractual amounts payable</i>	-	-	-	-	-	-	-
Trading assets	-	-	17 714	-	-	-	17 714
Pledged assets	-	-	-	6 400	-	-	6 400
Investment securities	-	4 191	9 485	16 469	22 288	-	52 433
Loans and advances to banks	-	44 056	2 427	-	-	-	46 483
Loans and advances to customers	-	47 034	19 637	34 891	153 680	-	255 242
Financial liabilities	16 420	303 473	67 103	2 360	150	9 826	399 332
Derivative financial instruments	-	-	-	-	-	-	-
<i>Contractual amounts receivable</i>	-	-	-	-	-	-	-
<i>Contractual amounts payable</i>	-	-	2 982	-	-	-	2 982
Trading liabilities	-	-	16 779	-	-	-	16 779
Deposits from banks	-	73 785	-	-	-	-	73 785
Deposits from customers	16 420	229 688	47 342	2 360	150	-	295 960
Subordinated bonds	-	-	-	-	-	9 826	9 826
Total recognised financial instruments	31 288	(208 192)	(14 076)	55 400	175 818	(9 826)	30 412
Letters of credit commitments	-	3 795	3 267	11 118	-	-	18 180
Guarantee commitments	-	133	4 473	3 308	746	-	8 660
Total unrecognised financial instruments	-	3 928	7 740	14 426	746	-	26 840
Total	31 288	(204 264)	(6 336)	69 826	176 564	(9 826)	57 252

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

29 Liquidity risk continued

29.1 Analysis of financial assets and liabilities by remaining contractual maturities continued

Group	Redeemable	Maturing	Maturing	Maturing	Maturing	Total	
	on demand	within 1	month but	months but	months but		
	2007	month	within 6	within 12	within 5		
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	
Financial assets	-	138,905	35,942	22,086	125,121	3,519	325,573
Cash and balances with central bank	-	39,089	-	-	-	-	39,089
Derivative financial instruments	-	-	359	-	-	-	359
<i>Contractual amounts receivable</i>	-	-	-	-	-	-	-
<i>Contractual amounts payable</i>	-	-	-	-	-	-	-
Trading assets	-	5,065	-	-	19,500	-	24,565
Pledged assets	-	-	-	-	6,000	-	6,000
Investment securities	-	719	1,919	6,063	5,581	-	14,282
Loans and advances to banks	-	46,157	-	-	-	-	46,157
Loans and advances to customers	-	47,875	33,664	16,023	94,040	3,519	195,121
Financial liabilities	-	182,883	110,822	5,952	10,236	8,161	318,054
Derivative financial instruments	-	-	494	-	-	-	494
<i>Contractual amounts receivable</i>	-	-	-	-	-	-	-
<i>Contractual amounts payable</i>	-	-	-	-	-	-	-
Trading liabilities	-	-	43,198	-	-	-	43,198
Deposits from banks	-	24,642	-	-	-	-	24,642
Deposits from customers	-	158,241	67,130	5,952	10,236	-	241,559
Subordinated bonds	-	-	-	-	-	8,161	8,161
Total recognised financial instruments	-	(43 978)	(74 880)	16 134	114 885	(4 642)	7 519
Letters of credit commitments	-	1 326	16 497	8 520	-	-	26 343
Guarantee commitments	-	423	4 525	2 099	-	-	7 047
Total unrecognised financial instruments	-	1 749	21 022	10 619	-	-	33 390
Total	-	(42 229)	(53 858)	26 753	114 885	(4 642)	40 909

Bank	Redeemable	Maturing	Maturing	Maturing	Maturing	Total	
	on demand	within 1	month but	months but	months but		
	2008	month	within 6	within 12	within 5		
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	
Financial assets	-	145,416	50,600	57,760	175,968	-	429,744
Cash and balances with central bank	-	47,708	-	-	-	-	47,708
Derivative financial instruments	-	-	-	-	-	-	-
<i>Contractual amounts receivable</i>	-	-	3,764	-	-	-	3,764
<i>Contractual amounts payable</i>	-	-	-	-	-	-	-
Trading assets	-	-	17,714	-	-	-	17,714
Pledged assets	-	-	-	6,400	-	-	6,400
Investment securities	-	4,191	9,485	16,469	22,288	-	52,433
Loans and advances to banks	-	46,483	-	-	-	-	46,483
Loans and advances to customers	-	47,034	19,637	34,891	153,680	-	255,242
Financial liabilities	16,420	303,633	67,103	2,360	150	9,826	399,492
Derivative financial instruments	-	-	-	-	-	-	-
<i>Contractual amounts receivable</i>	-	-	2,982	-	-	-	2,982
<i>Contractual amounts payable</i>	-	-	16,779	-	-	-	16,779
Trading liabilities	-	-	-	-	-	-	-
Deposits from banks	-	73,785	-	-	-	-	73,785
Deposits from customers	16,420	229,848	47,342	2,360	150	-	296,120
Subordinated bonds	-	-	-	-	-	9,826	9,826
Total recognised financial instruments	(16 420)	(158 217)	(16 503)	55 400	175 818	(9 826)	30 252
Letters of credit commitments	-	1 326	16 497	8 520	-	-	26 343
Guarantee commitments	-	133	4 473	3 308	746	-	8 660
Total unrecognised financial instruments	-	1 459	20 970	11 828	746	-	35 003
Total	(16 420)	(156 758)	4 467	67 228	176 564	(9 826)	65 255

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

29 Liquidity risk continued

29.1 Analysis of financial assets and liabilities by remaining contractual maturities

Bank

	Redeemable	Maturing	Maturing	Maturing	Maturing	Total	
	on demand	within 1	after 1	after 6	after 12		
	2007	month	month but	months but	months but		
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	
Financial assets	-	138 905	35 942	22 086	125 121	3 519	325 573
Cash and balances with central bank	-	39 089	-	-	-	-	39 089
Derivative financial instruments	-	-	359	-	-	-	359
<i>Contractual amounts receivable</i>	-	-	-	-	-	-	-
<i>Contractual amounts payable</i>	-	-	-	-	-	-	-
Trading assets	-	5 065	-	-	19 500	-	24 565
Pledged assets	-	-	-	-	6 000	-	6 000
Investment securities	-	719	1 919	6 063	5 581	-	14 282
Loans and advances to banks	-	46 157	-	-	-	-	46 157
Loans and advances to customers	-	47 875	33 664	16 023	94 040	3 519	195 121
Financial liabilities	-	182 883	110 822	5 952	10 236	8 161	318 054
Derivative financial instruments	-	-	494	-	-	-	494
<i>Contractual amounts receivable</i>	-	-	-	-	-	-	-
<i>Contractual amounts payable</i>	-	-	-	-	-	-	-
Trading liabilities	-	-	43,198	-	-	-	43 198
Deposits from banks	-	24 642	-	-	-	-	24 642
Deposits from customers	-	158 241	67 130	5 952	10 236	-	241 559
Subordinated bonds	-	-	-	-	-	8 161	8 161
Total recognised financial instruments	-	(43 978)	(74 880)	16 134	114 885	(4 642)	7 519
Letters of credit commitments	-	1 326	16 497	8 520	-	-	26 343
Guarantee commitments	-	423	4 525	2 099	-	-	7 047
Total unrecognised financial instruments	-	1 749	21 022	10 619	-	-	33 390
Total	-	(42 229)	(53 858)	26 753	114 885	(4 642)	40 909

30 Market risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. This risk arises from open positions in interest rate, currency and equity products. These may be liable to general and specific market movements and volatility of market rates or prices, credit spreads, foreign exchange rates and equity prices. To manage the exposure due to interest rate volatility on loans and advances and other marketable instruments, the Group uses a variety of measures including:

- variable rates quotations on loans and advances;
- swap arrangements;
- value at risk measurement based on historical simulations; and
- stress testing tailored to the asset or liability class and typically using scenario analysis.

The permissible instruments, concentration of exposures, gap limits and maximum tenor of instruments are detailed in policy guidelines approved by the Board of Directors and under the supervision of the Assets and Liabilities Committee.

30.1 Sensitivity analysis for each type of market risk

30.2 Interest rate risk

The table below indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's income statement:

Group	Increase in basis points	Sensitivity of equity				
		Sensitivity of net interest income	0 to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years
		2008	2008	2008	2008	2008
Currency		GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Rand	-	-	-	-	-	-
USD	200	640	-	-	-	-
GBP	-	-	-	-	-	-
EUR	-	-	-	-	-	-
Others	200	4 214	-	-	-	-

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

30 Market risk continued

30.2 Interest rate risk continued

Currency	Sensitivity of equity											
	Decrease in basis points	Sensitivity of net interest income	0 to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years						
							2008	2008	2008	2008	2008	2008
							GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Rand	-	-	-	-	-	-						
USD	(200)	(768)	-	-	-	-						
GBP	-	-	-	-	-	-						
EUR	-	-	-	-	-	-						
Others	(200)	(4 331)	-	-	-	-						

Bank

Currency	Sensitivity of equity											
	Increase in basis points	Sensitivity of net interest income	0 to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years						
							2007	2007	2007	2007	2007	2007
							GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Rand	-	-	-	-	-	-						
USD	200	873	-	-	-	-						
GBP	-	-	-	-	-	-						
EUR	-	-	-	-	-	-						
Others	200	1 351	-	-	-	-						

Currency	Sensitivity of equity											
	Decrease in basis points	Sensitivity of net interest income	0 to 6 months	6 months to 1 year	1 year to 5 years	More than 5 years						
							2007	2007	2007	2007	2007	2007
							GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Rand	-	-	-	-	-	-						
USD	(200)	(670)	-	-	-	-						
GBP	-	-	-	-	-	-						
EUR	-	-	-	-	-	-						
Others	(200)	(1 340)	-	-	-	-						

30.3 Currency risk

The table below indicates the extent to which the Group was exposed to currency risk at 31 December 2008 on its non-monetary assets and liabilities, and forecast cash flows. In respect of currency risk, the Group uses VaR methodology in estimating its exposures.

	Normal VaR as at 31 December, 2008	Normal VaR as at 31 December, 2007
AUD	327	118
CHF	859	23
EUR	162	101
GBP	497	100
JPY	247	16
SEK	163	133
USD	56 621	1 867
XOF	210	43
ZAR	321	5 048

Note to the consolidated financial statements - (continued)

for the year ended 31 December 2008

31 Operational risk

Operational risk is the loss arising as a result of the inadequacy of, or a failure in the internal processes, people, systems or external events. The Group recognises the significance of operational risk in all facets of its business. Accordingly, a comprehensive framework detailing the identification, assessment, measurement, monitoring and reporting of operational risks have been formulated to guide all line managers in the collective effort to minimise exposures.

The tools for achieving the objective of minimal losses resulting from operational risk include:

operational loss reports which enable management to identify improvements to processes and controls arising from loss trends.

- risk and control self assessments through which existing and potential future risks and their related controls are identified and assessed
- key risk indicators which measure specific factors to provide an early warning to proactively address potential exposures.

In addition to these a comprehensive insurance programme covering losses from fraud, theft, and professional liability claims and damage to physical assets is held.

32 Capital management

The primary objectives of Group's capital management are to ensure that the Group complies with minimum capital requirements of Bank of Ghana and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and processes from the previous years.

Regulatory capital

	Group		Bank	
	2008	2007	2008	2007
	GHS ('000)	GHS ('000)	GHS ('000)	GHS ('000)
Tier 1 capital				
Ordinary share capital	18 325	7 322	18 325	7 322
Retained income	29 538	18 375	29 504	18 375
Less Deductions				
Available for sale revaluation reserve	2 167	(438)	2 167	(438)
Total Tier 1 capital	45 696	26 135	45 662	26 135
Tier 2 capital	9 826	7 692	9 826	7 692
Total eligible capital	55 522	33 827	55 488	33 827
Total capital requirement	29 992	24 042	29 992	24 042
Risk adjusted assets	299 923	240 419	299 923	240 419
Total Capital adequacy ratio	19%	14%	19%	14%
Tier 1 capital (%)	15%	11%	15%	11%

Regulatory capital consists of Tier 1 capital, which comprises ordinary share capital, reserves and income surplus including current year profit. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt.

Annexure A-Restatements

for the year ended 31 December 2008

Annexure A - Restatements

Balance sheet restatements at 31 December 2007

	Group			Bank		
	As previously reported GHS'000	Prior year adjustment GHS'000	Restated GHS'000	As previously reported GHS'000	Prior year adjustment GHS'000	Restated GHS'000
Assets						
Cash and balances with central bank	39 097	-	39 097	39 097	-	39 097
Derivative assets	359	-	359	359	-	359
Trading assets	24 565	-	24 565	24 565	-	24 565
Pledged assets	6 000	-	6 000	6 000	-	6 000
Financial investments	14 282	-	14 282	14 282	-	14 282
Loans and advances	241 277	-	241 277	241 277	-	241 277
Loans and advances to banks	46 157	-	46 157	46 157	-	46 157
Loans and advances to customers	195 120	-	195 120	195 120	-	195 120
Current taxation	-	-	-	-	-	-
Deferred taxation	1 217	(380)	837	1 217	(380)	837
Other assets	18 920	1 520	20 440	18 920	1 520	20 440
Interest in group companies	-	-	-	160	-	160
Intangible assets	185	-	185	185	-	185
Property and equipment	5 166	-	5 166	5 166	-	5 166
Total assets	351 068	1 140	352 208	351 228	1 140	352 368
Equity and liabilities						
Equity						
Ordinary share capital	24 995	1 140	26 135	24 995	1 140	26 135
Ordinary share premium	7 322	-	7 322	7 322	-	7 322
Reserves	-	-	-	-	-	-
	17 673	1 140	18 813	17 673	1 140	18 813
Liabilities						
	326 073	-	326 073	326 233	-	326 233
Derivative liabilities	494	-	494	494	-	494
Trading liabilities	43 198	-	43 198	43 198	-	43 198
Deposit and current accounts	266 041	-	266 041	266 201	-	266 201
Deposits from banks	24 642	-	24 642	24 642	-	24 642
Deposits from customers	241 399	-	241 399	241 559	-	241 559
Current taxation	69	-	69	69	-	69
Deferred taxation	229	-	229	229	-	229
Other liabilities	7 881	-	7 881	7 881	-	7 881
Subordinated debt	8 161	-	8 161	8 161	-	8 161
Total equity and liabilities	351 068	1 140	352 208	351 228	1 140	352 368

¹ Following a change in the treatment of staff loans, the following reclassifications have been effected on results previously disclosed;
- Impairments related to staff loans have been reversed and accounted for as an increase in prepaid assets
- Reversal of impairments unwind through interest income and a compensating adjustment through an increase in prepaid assets

Annexure A-Restatements - (continued)

for the year ended 31 December 2008

Annexure A - Restatements continued

Income statement restatements for the year ended 31 December 2007

	Group			Bank		
	As previously reported GHC'000	Prior year adjustment GHC'000	Restated GHC'000	As previously reported GHC'000	Prior year adjustment GHC'000	Restated GHC'000
Net interest income	18 004	(107)	17 897	18 004	(107)	17 897
Interest income ¹	26 278	(107)	26 171	26 278	(107)	26 171
Interest expense ¹	8 274	-	8 274	8 274	-	8 274
Non-interest revenue	11 964	-	11 964	11 964	-	11 964
Net fee and commission revenue ²	7 881	-	7 881	7 881	-	7 881
Fee and commission revenue	7 982	-	7 982	7 982	-	7 982
Fee and commission expense	101	-	101	101	-	101
Trading revenue	4 078	-	4 078	4 078	-	4 078
Other revenue	5	-	5	5	-	5
Total income	29 968	(107)	29 861	29 968	(107)	29 861
Credit impairment charges	2 154	(1 627)	527	2 154	(1 627)	527
Income after credit impairment charges	27 814	1 520	29 334	27 814	1 520	29 334
Operating expenses	14 432	-	14 432	14 432	-	14 432
Staff costs	7 231	-	7 231	7 231	-	7 231
Other operating expenses ²	7 201	-	7 201	7 201	-	7 201
Net income before indirect taxation	13 382	1 520	14 902	13 382	1 520	14 902
Indirect taxation	197	-	197	197	-	197
Profit before direct taxation	13 185	1 520	14 705	13 185	1 520	14 705
Direct taxation	3 417	380	3 797	3 417	380	3 797
Profit attributable to ordinary shareholder	9 768	1 140	10 908	9 768	1 140	10 908
Basic earnings per share (cents)	13.30		14.90	13.30		14.90

