

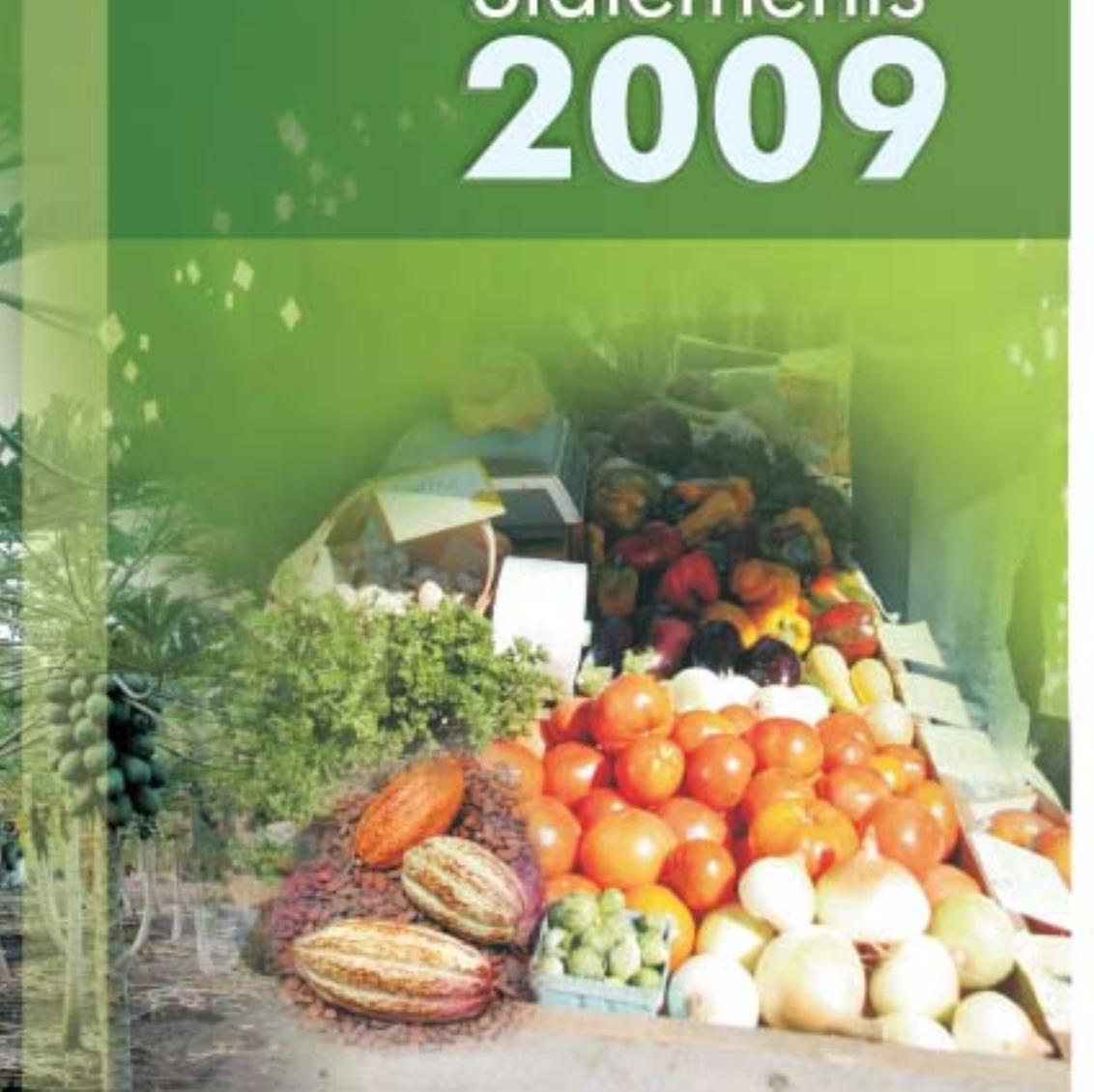


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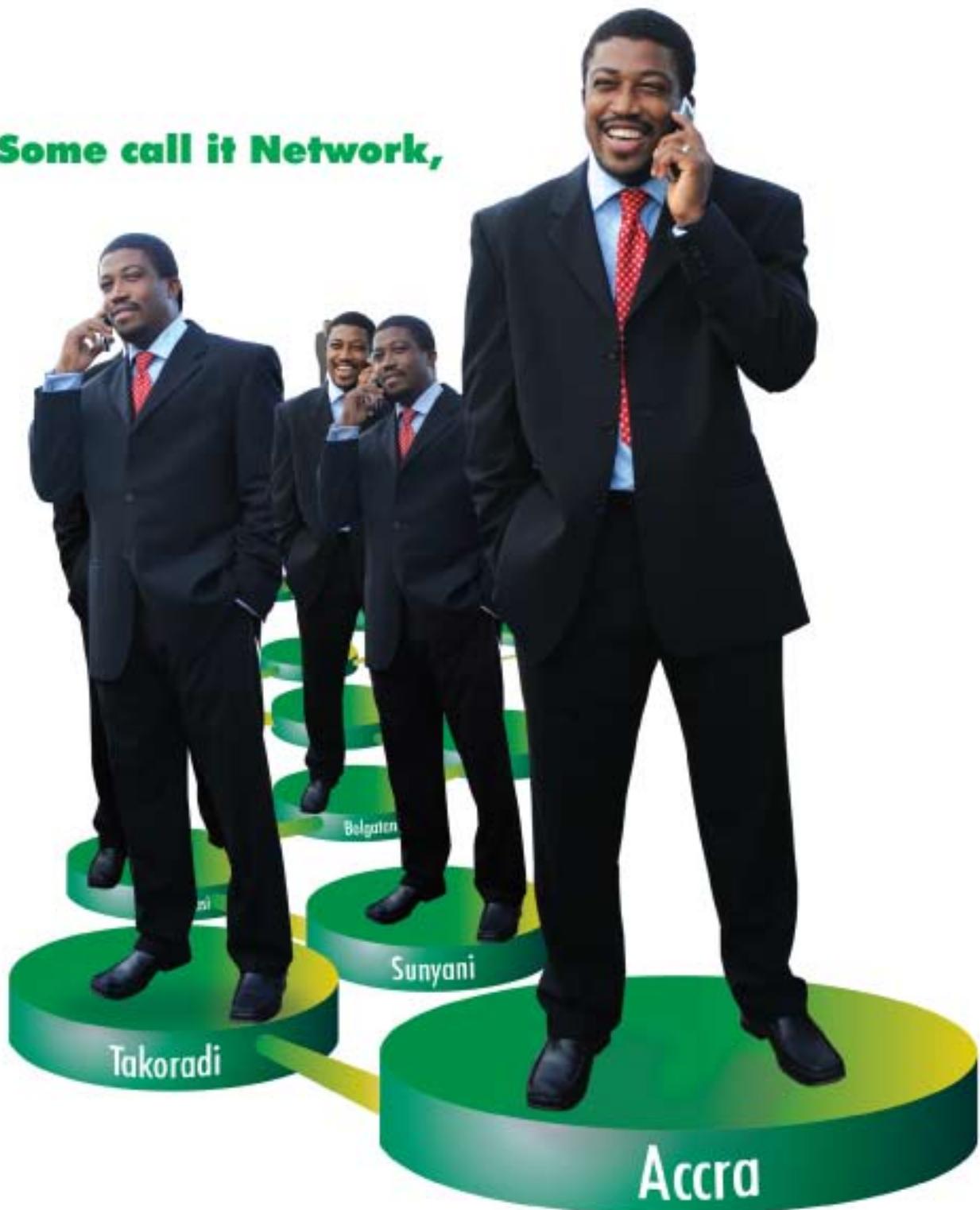
AGRICULTURAL DEVELOPMENT BANK

Agric and more...

Annual
Report & Financial
Statements
2009



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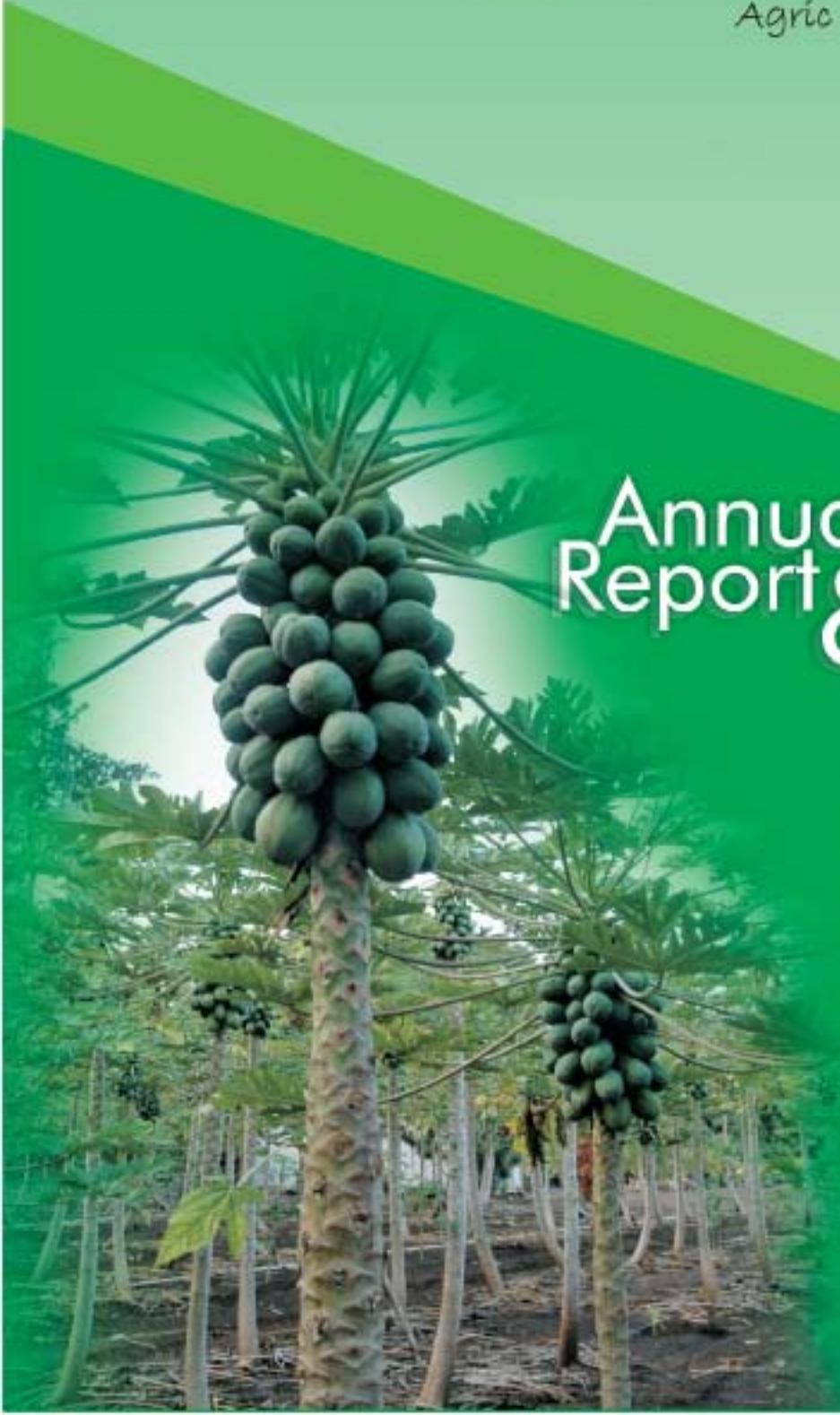
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Board of Directors, Officials and Registered Office

Directors:

- Alhaji Ibrahim Adam
 Mr. Stephen Kpordzih
 Mr. Paul Agyiri
 Dr. S.K.Dapaah
 Dr. Johnson Asiama
 Ms. Nancy Ampofo
 Major M.S.Tara
 Dr. Kwaku Addeah
- Chairman (appointed 26/06/09)
 - Managing Director (appointed 1/8/09)
 - Executive Director (appointed 26/6/09)
 - Non-Executive Director (appointed 26/6/09)

BOARD COMMITTEE
Audit & Compliance Committee

- Dr. S.K.Dapaah
 Major M.S.Tara
 Dr. Johnson Asiama
 Dr. Kwaku Addeah
- Chairman (appointed 1/10/09)
 - Member (appointed 1/10/09)
 - Member (appointed 1/10/09)
 - Member (appointed 1/10/09)

Governance & Risk Management

- Dr. Johnson Asiama
 Dr. S.K.Dapaah
 Dr. Kwaku Addeah
 Ms. Nancy Ampofo
- Chairman (appointed 1/10/09)
 - Member (appointed 1/10/09)
 - Member (appointed 1/10/09)
 - Member (appointed 1/10/09)

Loans and Advances Committee

- Dr. Johnson Asiama
 Dr. Kwaku Addeah
 Major M.S.Tara
 Mr. Stephen Kpordzih
 Mr. Paul Agyiri
- Chairman (appointed 1/10/09)
 - Member (appointed 1/10/09)
 - Member (appointed 1/10/09)
 - Member (appointed 1/10/09)
 - Member (appointed 1/10/09)

Human Resources

- Alhaji Ibrahim Adam
 Mr. Stephen Kpordzih
 Dr. Kwaku Addeah
 Ms. Nancy Ampofo
- Chairman (appointed 1/10/09)
 - Member (appointed 1/10/09)
 - Member (appointed 1/10/09)
 - Member (appointed 1/10/09)

Company Secretary:

Mr. James K. Agbedor
 ADB House,
 37 Independence Avenue
 Accra

Registered Office:

37 Independence Avenue
 P. O. Box 4191
 Accra

Auditors:

Deloitte & Touche
 Chartered Accountants
 P. O. Box 453
 Accra

Profile of Directors



Ibrahim ADAM
Chairman

Alhaji Ibrahim Adam holds a B.Sc (Hons) Agric Degree from the Kwame Nkrumah University of Science and Technology, Kumasi. He has attended several short courses on rice production, administration and management at WARDA (Monrovia), IITA (Ibadan, Nigeria), GIMPA, EDI (Maastricht) and Feldafing (Germany). Mr. Adam served in government between 1984 and 2001. During the period, he was PNDC Under-Secretary for Agriculture (Northern Region) from 1984 to 1985 when he was made the PNDC Deputy Secretary for Agriculture (Crops) and promoted to PNDC Secretary for Agriculture in 1992. At the beginning of the Fourth Republic in 1993, he first served as the Minister of Food and Agriculture until 1996 when he was made the Minister of Trade. Currently the CEO of Brada Ventures, Mr. Adam is a member of the Agriculture Society of Ghana (ASOG), Animal Science Association of Ghana, and International Food Policy Research Institute (IFPRI), USA. He has to his record many articles and a number of books on rice production and marketing, cooperatives, politics in Northern Ghana and the Agriculture Policies of Liberia. He was appointed the Chairman of the Board on 26th June 2009.



Stephen KPORDZIH
Executive Director

Mr. Stephen Kpordzih holds an MBA (Finance) from University of Leicester, UK, and a Post-Graduate Certificate-Strategic Bank Management from Odense Business School, Denmark. He has to his record immense banking experience and consultancy assignments with leading banks, including preparation of a paper on Financing Rural Agriculture in Ghana as part of the Government's Compact Programme for accessing the US\$547 million Millennium Challenge Account. He also developed feasibility reports for the establishment of non-bank financial institutions. One-time lecturer in Finance of International Trade at the Chartered Institute of Bankers, Ghana, a resource person in Treasury Management at the Ghana Banking College, and an Honoured Member of the International Who's Who of Professionals for his achievements in and contribution to banking, Mr. Kpordzih took office as the Managing Director of the Bank in August 2009.



Paul O. AGYIRI
Executive Director

Mr. Paul Agyiri holds a Bachelor Laws Degree from the University of Ghana, Legon and a Professional Qualifying Certificate in Law from the Ghana School of Law. He served in the Attorney-General's Department between 1978 and 1984. Between 1984 and 1991, he engaged in private consultancy practice with Maxwell & Maxwell Law Offices, Liberia and took the position of Director of Legal Services of the West African Examinations Council, Head Office. He joined the Bank as Chief Legal Advisor in 1991. Between June 2003 and July 2005, Mr. Agyiri was seconded to the Ministry of Finance & Economic Planning as Chief Director, returning to the Bank to resume his position as Solicitor. He was appointed to his current position of Acting Deputy Managing Director on 1st January 2008.



Nancy Dakwa AMPOFO
Non-Executive Director

Ms. Nancy Ampofo graduated from the University of Ghana in 1979 with a B. A. (Combined) Degree in Law (with Political Science). She obtained a Professional Law Qualifying Certificate in 1981 from the Ghana Law School and was called to the Ghana Bar on 20th November 1981. Ms. Ampofo has had a track record and expertise in legal consultancy acquired through undertaking legal work for the public and private sector institutions, as well as individuals and multinationals. Ms. Ampofo founded her own legal firm, N. D. Ampofo Associates in 2000 and has been offering legal consultancy services to both local and international clients in all areas of the law. She was appointed as Director of the Bank in June 2009.



Dr. Samuel K. DAPAAH
Non-Executive Director

Dr. Samuel K. Dapaah has had a long professional experience in Agricultural Policy and Public Administration, Teaching, Research and Management. He graduated from the University of Ghana, Legon with a B.Sc. (Hons) Agriculture Degree in June 1972 and proceeded to the University of Guelph, Canada where he graduated with an M.Sc. Agricultural Economics Degree in February 1975 and Ph.D. Agricultural Economics Degree in February 1982. He returned to the University of Ghana, Legon as a Research Fellow at the Institute of Statistical, Social and Economic Research (ISSER) and Lecturer at the Department of Economics and Department of Agricultural Economics. Dr. Dapaah served in the Ministry of Food and Agriculture, first, as Director of Policy, Planning, Monitoring and Evaluation between 1986 and 1992, and as Chief Technical Advisor and Chief Director between 1993 and 2001. A member of the Board between 1993 and 2001, Dr. Dapaah was reappointed as Director in June 2009.



Dr. Johnson P. ASIAMAH
Non-Executive Director

Dr. Johnson P. Asiamah is the Chief Manager, Research Department of the Bank of Ghana. He holds a B.A. (Hons) Degree in Economics with Statistics and an M.Phil. (Economics) issued by the University of Ghana in 1993 and 1996 respectively, and a Ph.D. (Economics) Degree from the University of Southampton, England, United Kingdom in 2005. With a host of publications and conference presentations to his record, Dr. Asiamah was appointed to the Board of the Bank in June 2009.



Dr. Kwaku Addeah
Non-Executive Director

A Barrister and Solicitor of the Supreme Court of Ghana, Dr. Kwaku Addeah is the Legal Adviser and Head of the Legal Department of the Bank of Ghana. He holds a BA (Law) from the University of Ghana, and LLM and Ph.D from the Birmingham University, England. Dr. Addeah is a member of the Ghana Bar Association and International Bar Association, as well as being an Associate Member of the American Bar Association. He also chairs the Legal & Institutional Committee of the West African Monetary Zone and an ECOWAS Assessor in Anti-money Laundering Legal Regimes of ECOWAS countries. He is currently the Editor-in-Chief of the 'Banking & Financial Law Journal of Ghana' and has to his credit a number of publications. Dr. Addeah represents the Financial Investment Trust (a subsidiary of the Bank of Ghana) on the Board.



Major Mahama S. TARA (Rtd)
Non-Executive Director

Major Mahama Tara (Rtd), a Chartered Management Accountant (ACMA) also holds a BSc Administration (Accounting Option) Degree from the University of Ghana. His rich experience in the public sector has included serving as Director of Finance and Administration of the Ghana Tourist Development Company Ltd., Director of Finance of the then Architectural and Engineering Services Corporation, and a Deputy Controller & Accountant-General. At the Ministry of Finance & Economic Planning, Major Tara (Rtd) had previously served at intervals as Director of Budgets and Acting Chief Director. Among his achievements, he headed the Technical Team that re-organized the Budgeting and Public Expenditure Management System within the Government machinery and introduced the Medium Term Expenditure Framework (MTEF) as the model for Governmental Accounting. He was appointed to the Board in June 2009.



James K. AGBEDOR
Secretary

Mr. James Agbedor holds the Bachelor-of-Laws Degree from the University of Ghana and a Professional Law Certificate from the Ghana School of Law. He joined the Bank in 1985 as a Legal Officer and is currently the Solicitor & Head-General Counsel of the Bank. He was appointed Secretary to the Board in 2006.

Financial Highlights

	2009	2008
Profit for the year (GH¢'000)	12,667.37	14,935.00
Change in Profit (%)	(15.18)	28.77
Dividend per Share (GH¢)	0.08	0.08
Earnings Per Share (GH¢)	0.51	0.60
Return on Equity (%)	10.41	13.70
Return on Assets (%)	1.72	2.39
Total Assets (GH¢'000)	734,595.22	624,270.00
Deposits Base (GH¢)	425,144.82	319,500.00
Capital Adequacy Ratio (%)	15.85	16.00
Share of Agriculture in Total Advances (%)	24.09	24.33

Chairman's Report

It is my privilege to present to you, the Annual Report and the Financial Results of your Bank for the year ended 31st December 2009.

1.0 BACKGROUND ANALYSIS

1.1 Developments in the World Economy

The world economy is projected to have declined by 1.5 percent in 2009 marking a decline in the 2008 growth of 3.4 percent. This resulted mainly from the world economic recession that also saw world trade declining by about 9.4%.

Global GDP growth is expected to be subdued, expanding by 3.2 percent in 2010. This is expected to result from the large stimulus programmes, improving private sector confidence and increased financial stabilization. Richer countries are expected to grow by only 1.7 percent while the emerging economies will grow by 5.2 percent with China growing at 8.6 percent. Sub-Saharan Africa is projected to grow by 3.1 percent.

International commodity prices began recovery from their lows. Crude oil prices (Brent Crude) began the year 2009 declining to its lowest price per barrel of USD36 in February 2009 but climbed up and ended the year at USD76. Prospects for sustainable demand and supply situation will determine the outlook for 2010.

Gold saw a rebound in its price as it opened the year 2009 at USD865 per ounce but ended the year at USD1,114. Similarly, Cocoa rose from USD2,520 at the beginning of 2009 and ended the year at USD3,271.

1.2 Domestic Economy

Provisional real GDP growth was 4.7 percent and fell below the projected target of 5.9 percent for the year 2009. This was against the real GDP growth of 7.3 percent in 2008. The growth rate recorded was in spite of the negative impact of the global economic and financial crises and the huge fiscal deficits that the economy recorded in 2008 and its attendant effects on economic performance.

The beginning of the year saw some dislocations in the economy characterized by foreign exchange rate instability and rising inflation and interest rates all resulting from the prior year fiscal imbalances and the global economic crises.

Tighter and prudent fiscal policies of Government resulted in a significant reduction in the overall budget deficit of 5.2 percent of GDP compared with 13.6 percent of GDP for 2008. This has resulted in a decline in the Government's Public Sector Borrowing Requirement with the attendant fall in the rates of Government's investment instruments.

The current account deficit narrowed from USD 3.5 billion in December 2008 to USD 1.2 billion in December 2009. The economy recorded an overall balance of payments surplus of USD1.2



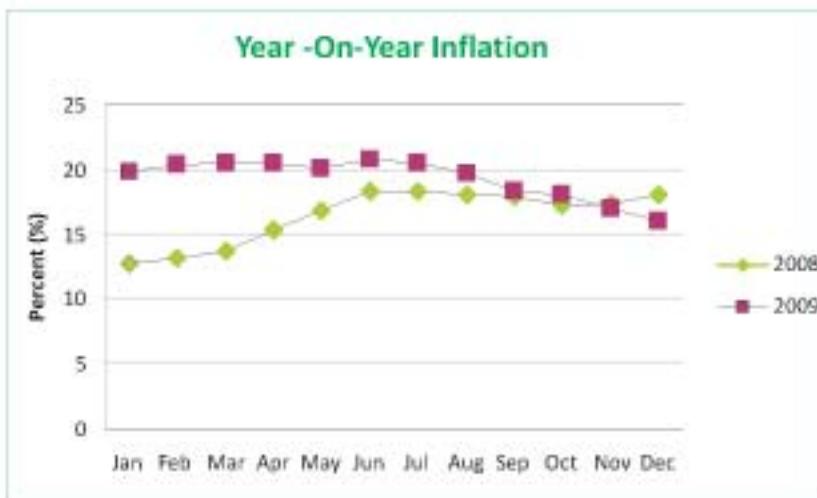
Ibrahim ADAM
Chairman

billion compared to the USD 0.9 billion recorded in 2008. These resulted in the improvement of the external reserves position from USD 2.0 billion in 2008 to USD 3.2 billion in December 2009 with an import cover of 3 months against the 2.1 months recorded at the end of 2008.

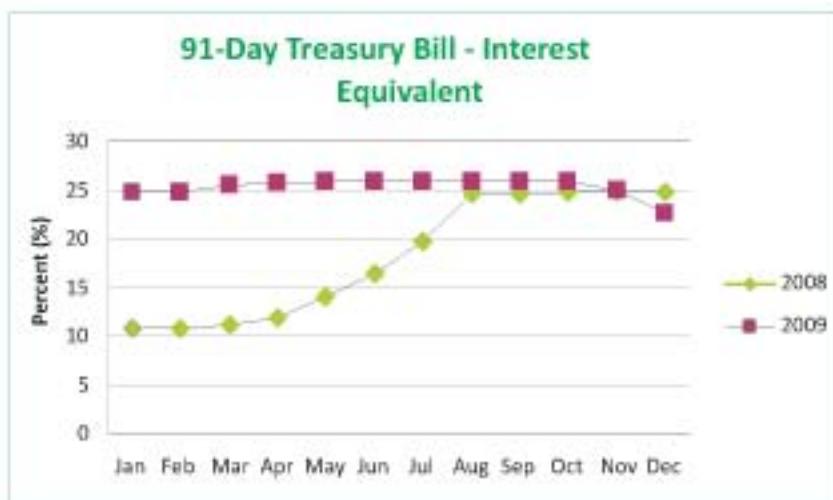
The cedi was under pressure during the first and second quarters of year 2009 but registered some gains in the latter half. The year closed with depreciation rates of 23.91 percent and 15.38 percent against the GBP and the USD respectively in the inter-bank market. This compared with an appreciation of 9.03 percent for the GBP in 2008 and a depreciation of 20.89 percent for the USD. It depreciated against the EURO by 17.23 percent in 2009 as against a depreciation rate of 17.30 percent in 2008.



The economy was under an inflationary pressure in the first half of the year as the year-on-year inflation rate peaked at 20.74 percent in June 2009 before declining consistently to 15.97 percent in December 2009. The decline in inflation was from both food and non-food sources with the non-food source exerting a stronger downward force than food inflation coming mainly from the impact of the 30 percent rise in petroleum prices in May 2009.



Interest rates went up in the first three quarters of the year with the 91-day Treasury Bill rate beginning the year at 24.67 percent. It rose steadily to the peak of 25.89 percent in September 2009 before declining to 22.53 percent in December 2009. The year began with the Prime Rate of Bank of Ghana at 17.00 percent. The rate was increased to 18.50 percent in February 2009 and remained at that level until November 2009 when it was reduced to 18.00 percent.



Similarly the 182-day Treasury bill rate went up from 26.18 percent at the beginning of the year to 28.88 percent in November before declining to 25.30 percent at end December 2009.

2.0 PERFORMANCE OF THE BANK

The Bank's performance for the period under review was highly influenced by the international and domestic economic developments during the year as indicated above.

2.1 Profit and Loss Performance

The net profit for 2009 was GH¢12.67 million and was 15.14 percent lower than the GH¢14.93 million recorded for 2008. The challenges presented by credit management required that additional provisions were made to further clean the loan book of the Bank. Impairments charged for the year therefore increased from GH¢6.9 million in 2008 to GH¢15.89 million in 2009.

2.2 Balance Sheet

The balance sheet of the Bank showed moderate growth in the financial year 2009. Total assets grew by 17.67 percent from GH¢624.27 million at the end of December 2008 to GH¢734.57 million at year end December 2009. Total deposits also rose from GH¢319.50 million to GH¢425.14 million and showed a growth of 33.07 percent as against 17.89 percent in 2008. Shareholders' funds also went up by 11.90 percent from GH¢108.68 million at the end of December 2008 to GH¢121.62 million at the end of 2009.

2.3 Dividend Payment

The Directors recommended the payment of total dividend of GH¢2.0 million to its shareholders

for year 2009. This translates into a dividend per share of GH¢0.08, the same as in 2008.

3.0 SUPPORT TO THE AGRICULTURAL SECTOR

The Bank remained committed to financing the productive agricultural sector of the economy in line with its mission and practice. Total new credit disbursed for various agricultural projects was GH¢57.91 million in 2009 almost equal to the GH¢57.53 million recorded in 2008. The stock of credit to the sector however declined from GH¢116.15 million at the end of December 2008 to GH¢111.30 million at the end of December 2009 with a negative ratio of 4.17 percent. The share of the sector's loan portfolio declined from 27.87 percent at the end of December 2008 to 25.46 percent at end December 2009.

4.0 CHANGES IN BOARD AND MANAGEMENT

During the year 2009 the Board of the Bank was reconstituted. The reconstituted Board under the Chairmanship of Alhaji Ibrahim Adam is made up of the following: Dr. Samuel K. Dapaah, Major (Rtd) M. S. Tara, Dr. Johnson Asiamah, Ms. Nancy Dakwa Ampofo and Dr. Kwaku Addea.

Mr. Stephen Kpordzih assumed office as the substantive Managing Director after the exit of Mr. Yaw Opoku Atuahene. Mr. Paul Ofori Agyiri was also appointed as Executive Director. Additionally, the restructuring process currently going on in the Bank has necessitated the appointment of certain key top management staff to help steer the process to ensure the attainment of the set objectives.

We wish to take the opportunity to congratulate the Board and the key management members and wish them a successful stay in the Bank.

5.0 STRATEGIC PLAN 2010 - 2012

The strategic challenges facing the Bank upon the assumption of office of your Board necessitated the change in its strategic direction. The new direction seeks to balance the market orientation with a development focus on agriculture and other services. We would emphasize the attainment of both financial and social returns to improve the socio-economic value of our shareholders as well as key stakeholders of the Bank.

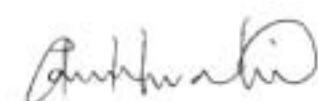
The Board has accordingly given approval for the implementation of various key structural changes and initiatives. This has also culminated in the development of a new strategic plan which is currently under review.

6.0 THE WAY FORWARD

The year 2010 looks certain to be very exciting as the domestic and global economies take shape and return to growth. The Bank's roll out of the initiatives under the strategic change agenda will continue. The Bank will also follow key policy initiatives of the Government and leverage on them. Plans are underway to ensure the doubling of the Bank's investment in the agricultural sector to support the Government's economic development agenda based on modernized and mechanized agriculture. With the creation of the Credit Risk Management Department, we are firmly of the view that your Bank's credit portfolio would be managed in a more prudent way to reduce the level of non performing loans. Strong efforts would be pursued to recover advances to boost the liquidity position of the Bank.

7.0 CONCLUSION

I take this opportunity on behalf of the Board to congratulate our shareholders and customers for their continued support over the years. I also congratulate the Management and staff for their hard work and commitment to duty and pray for a successful year 2010.



ALHAJI IBRAHIM ADAM
BOARD CHAIRMAN

Executive Management



Stephen KPORDZIH
Managing Director



Paul O. AGYIRI
Deputy Managing Director



James K. AGBEDOR
Board Secretary & Head, General Counsel



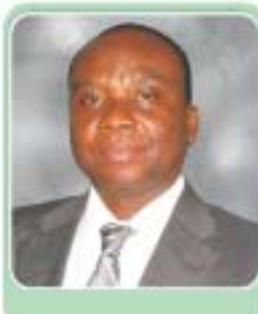
Adam U. SULLEY
Executive Head, Retail Banking



S. N. S. ABBEY
Executive Head, Operations



Abdul-Samed IDDRISU
Executive Head, Transaction Banking & Tech



James Baidoo SAGOE
Executive Head, Finance & Planning



Bernard Appiah GYEBI
Executive Head, Credit Risk Management



Edward ARMAH-MENSAH
Executive Head, Corporate Banking



Akwelley A. BULLEY
Head, Human Resources



George BAAH-DANQUAH
Treasurer

Managing Director's Review of Operations

INTRODUCTION

I am happy to present to you the Bank's operational activities and performance for the year ended 31st December, 2009. We took over the administration of the Bank at a very critical time when economic events in and outside Ghana had taken a nosedive and the banking industry was confronted with a number of challenges. The Bank itself operated with a business model that was not in line with modern banking trend while offering very limited product and service delivery channels. This required that Management had to do a review of the entire organization and prescribe a new strategic and operational direction that would redefine its structures, unleash new capabilities and improve business processes for efficient operations. Consequently, Management, together with the support of the Board of Directors initiated the Bank's change and transformation process.

The Bank, with the support of its esteemed customers and staff emerged out of these difficulties with renewed commitment to transform its operations into a modern universal bank with defined commitment to growing its agriculture portfolio.

KEY INITIATIVES

Management, with the approval from the Board of Directors, developed a new organizational structure that introduced several new business lines including the establishment of the following: Corporate, Retail, Development Finance and Transaction Banking and Technology Departments. This was to align structure to strategy.

Management also reviewed the existing human resources, recruited highly skilled and competent individuals to man certain key departments to ensure that the necessary human resources are available for the successful implementation of the change agenda of the Bank.

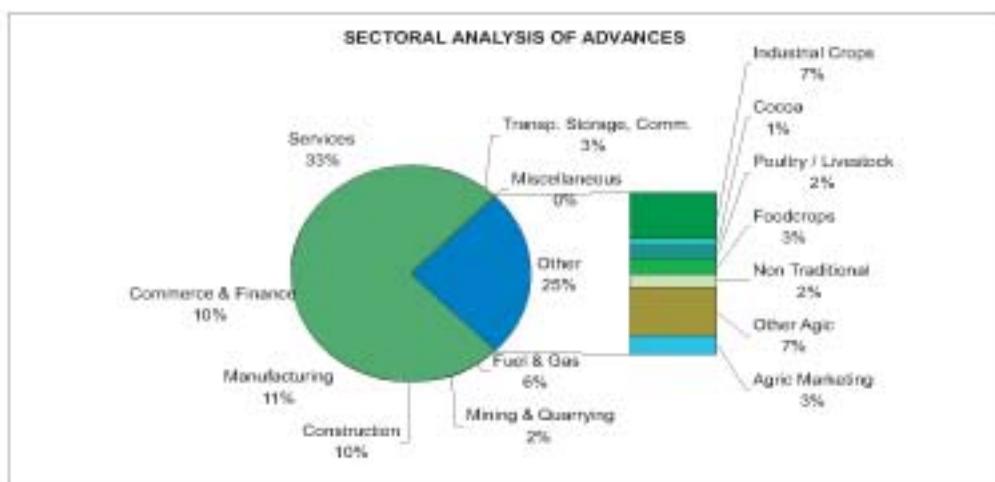
NEW BRANCHES

Three new branches were added to the Bank's branch network during the year and these included the UCC, Accra New Town and Makola branches. The addition increased the number of branches from fifty-two to fifty-five at the end of year 2009.

OPERATIONAL RESULTS

LOANS TO AGRICULTURE AND ALLIED SECTORS

Credit to the agricultural and allied sectors amounted to GH¢111.30 million and represented 25.00 percent share of credits as at the end of the year 2009 as against the 27.87 percent recorded in December 2008. New credit to the productive sector during the year amounted to GH¢11.31 million while that of the agro-processing sub-sector amounted to GH¢57.91 million. The pie chart below gives a pictorial view of the sectoral analysis of the Bank's credit portfolio at the end of December 2009.

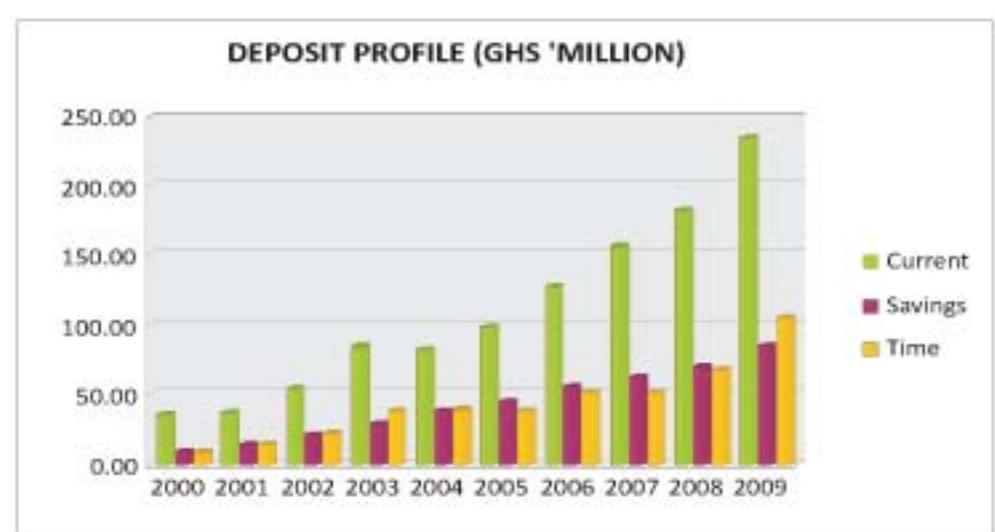


PROFIT PERFORMANCE

Net profit for the year under review was GH¢12.67 million as against GH¢14.93 million in 2008 showing a decrease of 15.18 percent. This translates into Return on Assets and Return on Equity ratios of 1.82 percent and 10.96 percent respectively compared with ratios of 2.39 percent and 13.74 percent in 2008.

RESOURCE MOBILIZATION

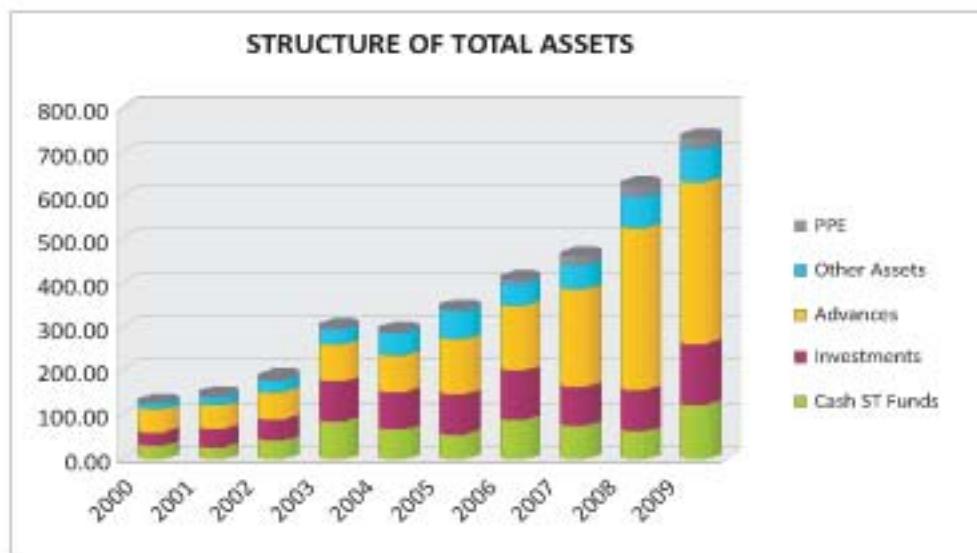
Total deposits grew by 33.07 percent from GH¢319.50 million in December 2008 to GH¢425.14 million at the end of December 2009 compared to the increase of 17.89 percent in December 2008. The graph below depicts trends in deposit growth of the Bank since 2000.



ASSET GROWTH

Total assets grew by 17.67 percent from GH¢624.27 million in December 2008 to GH¢734.57 million in December 2009 compared with the growth of 34.20 percent recorded in 2008. This

growth was recorded mainly on account of expansion in investments of 45.67 percent and cash and short term funds of 95.18 percent. Credit growth was only 0.61 percent.



STRATEGIC PLAN 2010-2012

Implementation of key components of the Bank's new strategic plan began in earnest in the year. The first is the Board's approval and subsequent implementation of the new organizational structure. This seeks to align the Bank's structure to its functions and strategy to enhance performance and make the Bank competitive. This required the recruitment of certain key personnel both internal and external with the requisite skills and capabilities to drive the change process. Also, staff placement in areas of their key competencies was initiated. Additionally, with the support of the Board, Management began developing a new strategic plan that will drive the change agenda from 2010 to 2012. The main objective is to make the Bank a modern universal Bank, more competitive in the industry and position it to be one of the top four banks. We will pursue this by maintaining the Bank's development focus on agriculture while delivering several other products and services.

CORPORATE SOCIAL RESPONSIBILITY

The Bank continued with its sponsorship package for the National Best Farmer's award and made several other donations as part of its corporate social responsibility programmes amounting to GH¢492,140 as against GH¢361,044 in year 2008.

OUTLOOK FOR YEAR 2010

The outlook for year 2010 appears positive as the world economy recovers from crisis to growth and the domestic economy has achieved a relative stability due to the prudent fiscal and monetary policies embarked upon by the Government. Our key challenges would include the successful implementation of the new strategic plan, ensuring a healthy loan book and providing quality services to our customers.

Additionally, we are committed to building a new technology platform that will be leveraged for more service offerings and improved working infrastructure to make our operations efficient and less cumbersome. Transaction Banking & Technology Department has been set up to lead this transformation. The transaction banking section will concentrate on product development and support, together with sales and marketing including cash management, call centre, cards issue, mobile and internet banking products. The technology section will also provide the key support backbone including the data centre, technology infrastructure and security. We plan upgrade the existing Flexcube platform to a more current version in order to support the product transformation and development process and ensure efficiency in operations.

The Bank will also fully set up a new Asset Finance Unit to undertake leasing and hire purchase product operations. Of significant importance is the sale of farming equipment to our hardworking farmers and fishermen including outboard motors.

We will continue to extend our branch expansion programme to areas where our services will be available to existing and new clients, especially to the country's hardworking farmers. We envisage the establishment of seventeen (17) new branches and six agencies during the plan period from 2010 to 2012. In the first year, eight (8) new branches and four agencies will be established.

CONCLUSION

I wish to express my heartfelt appreciation to the Board and the shareholders for their unrelenting support to the Bank in 2009. I take the opportunity also to express my sincere gratitude to the staff for their cooperation and understanding even as we go through our transformation process. I wish also to thank our loyal and dedicated customers for patronizing our services. We assure them of well deserved services as we vigorously implement our new strategy.



STEPHEN KPORDZIH
MANAGING DIRECTOR

Financial Statements

Report of the Directors to the Members of Agricultural Development Bank

Principal Activity

The principal activities carried out by the Bank during the year under review were within the limits permitted by its regulations.

Operational Results - 2009

The results of the operations for the year ended 31 December 2009 are set out in the statement of comprehensive income and statement of financial position and the notes to the financial statements from pages 7 to 53.

The bank achieved a profit of GH¢12,667,366 as compared with the performance of GH¢14,934,890 in 2008. The total assets of the bank grew from GH¢624,270,478 in 2008 to GH¢734,595,216 in 2009 achieving 17.7% growth while deposit liabilities recorded a 33.1% growth from GH¢319,499,930 in 2008 to GH¢425,144,815 in 2009.

Dividend

The directors recommend the payment of a dividend of Eight Ghana pesewas per share, (GH¢0.08/share) amounting to Two Million (GH¢2,000,000) for the year.

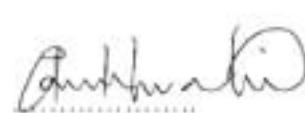
Auditors

The directors recommend that, Messrs Deloitte & Touche will continue in office as auditors of the bank in accordance with the Agricultural Development Bank Act 1965 (Act 286) as amended by NLCD 182 of 1967 and Act 352 of 1970.

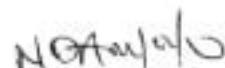
Directors

The present list of members of the board are shown on page 3.

On behalf of the Board



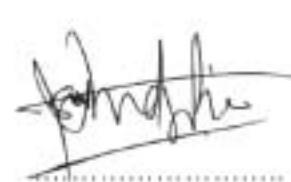
Alhaji Ibrahim Adam
Chairman



Ms Nancy Ampofo
Director



Mr. James Baidoo Sagoe
Executive Head/Finance & Planning



Mr. Stephen Kpordzih
Managing Director



Mr. James K. Agbedor
Secretary

Statement of Directors' Responsibility

The Agricultural Development Bank Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the bank as at the end of the financial year and of the operating results of the bank for that year.

It also requires the directors to ensure that the bank keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the bank. They are also responsible for safeguarding the assets of the bank.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of 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.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Agricultural Development Bank Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the bank and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the bank will not remain a going concern for at least the next twelve months from the date of this statement.

Alhaji Ibrahim Adam
Chairman

Mr. Stephen Kpordzih
Managing Director

Ms Nancy Ampofo
Director

Mr. James Baidoo Sagoe
Executive Head/Finance & Planning

Mr. James K. Agbedor
Secretary

Independent Auditor's Report to the Members of Agricultural Development Bank

We have audited the accompanying financial statements of Agricultural Development Bank on pages 7 to 53 which comprise the statement of financial position as at 31 December, 2009, and statement of comprehensive income, statement of changes in equity and statement of cashflows for the year then ended, together with the summary of significant accounting policies and other explanatory notes, and have obtained all information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Agricultural Development Bank Act 1965 (Act 286) as amended by NLCD 182 of 1967 and Act 352 of 1970. These responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 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 bank has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the banking Act 2004 (Act 673) as amended by the Banking (Amendment) Act of 2008 (Act 738) and Agricultural Development Bank Act 1965 (Act 286) as amended by NLCD 182 of 1967 and Act 352 of 1970. The financial statements give a true and fair view of the financial position of the bank as at 31 December 2009, and of its financial performance and cash flow for the year then ended and are drawn up in accordance with the International Financial Reporting Standards.

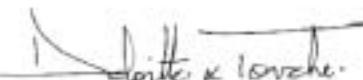
Report on other Legal and Regulatory Requirements

The Agricultural Development Bank Act 1965 (Act 286) as amended by NLCD 182 of 1967 and Act 352 of 1970 requires that in carrying out our audit work we consider and report on the following matters. We confirm that:

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. in our opinion proper books of accounts have been kept by the bank, so far as appears from our examination of those books; and
- iii. the statement of financial position and statement of comprehensive income of the bank are in agreement with the books of accounts.

The Banking Act 2004 (Act 673), Section 78 (2), requires that we state certain matters in our report. We hereby state that:

- I. the accounts give a true and fair view of the state of affairs of the bank and its results for the period under review;
- ii. we were able to obtain all the information and explanation required for the efficient performance of our duties as auditors;
- iii. the banks transactions were within its powers; and
- iv. the bank has complied with the provisions in the Banking Act 2004 (Act 673), the Banking (Amendment) Act 2008 (Act 738) and the Agricultural Development Bank Act 1965 (Act 286) as amended by NLCD 182 of 1967 and Act 352 of 1970.


Chartered Accountants
Accra, Ghana

24th March.2010

Statement of Comprehensive Income for the year ended 31 December 2009

	Note	2009 GH¢	2008 GH¢
Interest income	6	81,415,938	59,688,900
Interest expense	7	(39,603,155)	(20,474,861)
Net interest income		41,812,783	39,214,039
Fee and commission income	8	28,627,193	26,065,292
Net fee and commission income		28,627,193	26,065,292
Other operating income	10	6,548,424	10,152,985
Net Non-Interest Revenue		35,175,617	36,218,277
Operating income		76,988,400	75,432,316
Impairment losses on loans and advances	18	(15,896,510)	(6,923,146)
Operating expenses	11	(61,947,745)	(57,292,114)
Other Income		15,852,975	6,137,686
Other Expenses		(1,663,051)	(2,419,852)
Profit before National Stabilization Levy		13,334,069	14,934,890
National Stabilization Levy		(666,703)	-
Profit after National Stabilization Levy		12,667,366	14,934,890

Statement of Financial Position as at 31 December 2009

	Note	2009 GH¢	2008 GH¢
Assets			
Cash and balances with Central Bank of Ghana	14	75,890,943	41,887,152
Gov't securities	15	125,593,869	87,323,906
Deposits and balances due from banking institutions	16	48,952,351	22,077,304
Other investments	17	7,257,819	6,171,070
Loans and advances to customers (net)	18	372,864,956	370,606,658
Other assets	19	73,745,535	72,599,471
Long Term Investment		5,200,877	1,276,100
Property and equipment	20	25,058,866	22,328,817
Total assets		734,565,216	624,270,478
		=====	=====
Liabilities			
Customer deposits	21	425,144,815	319,499,930
Borrowed funds	22	88,201,147	108,372,163
Other liabilities	23	99,602,073	87,717,161
Total liabilities		612,948,035	515,589,254
		=====	=====
Capital resources			
Share capital	24	50,000,000	50,000,000
Revaluation surplus		15,371,581	13,102,990
Income surplus		6,949,811	13,952,384
Credit Risk Reserve		21,936,348	5,933,168
Statutory reserve		27,359,441	25,692,682
Shareholders' funds		121,617,181	108,681,224
Total liabilities and shareholders funds		734,565,216	624,270,478
		=====	=====

The financial statements on pages 18 to 70 were approved by the board of directors on 24th March 2010 and were signed on its behalf by:

Alhaji Ibrahim Adam
Chairman

Mr. Stephen Kpordzih
Managing Director

Ms Nancy Ampofo
Director

Mr. James Baidoo Sagoe
Executive Head/Finance & Planning

Mr. James K. Agbedor
Secretary



Statement of changes in equity as at 31 December 2009

	Note	Stated capital GH¢	Revaluation surplus GH¢	Income surplus GH¢	Credit Reserve GH¢	Statutory reserve GH¢	Total GH¢
At 1 January 2009		50,000,000	13,102,990	13,952,384	5,933,168	25,692,682	108,681,224
Dividend Proposed		-	-	(2,000,000)	-	-	(2,000,000)
Revaluation Gains/(losses)		-	2,268,591	-	-	-	2,268,591
Transfer to credit risk reserve		-	-	(16,003,180)	16,003,180	-	-
Transfer to statutory reserve		-	-	(1,666,759)	-	1,666,759	-
Transfer to Stated Capital		-	-	-	-	-	-
Profit for the year		-	-	12,667,366	-	-	12,667,366
At 31 December 2009		50,000,000	15,371,581	6,949,811	21,936,348	27,359,441	121,617,181

The revaluation surplus is not distributable and represents the surplus arising from the revaluation of property and equipment.

The credit reserve is not distributable and represents the excess of loan provisions computed in accordance Central Bank of Ghana prudential guidelines over the impairment of loans and advances arrived at in accordance with IAS 36.

The transfer to statutory reserve represents 12.5% of profits attributable to share holders which is not distributable as required by section 29(1) of the Banking Act, 2004 (Act 673).

Cashflow Statement for the year ended 31 December 2009

	Note	2009 GH¢	2008 GH¢
Operating activities			
Cash generated from operations	25	126,503,194	(82,996,806)
		=====	=====
Investing activities			
Purchase of property and equipment	20	(4,800,969)	(2,982,966)
Proceeds from disposal of property and equipment		91,841	85,091
Increase in other investment securities		(1,086,749)	-
		=====	=====
Net cash used in investing activities		(5,795,877)	(2,897,875)
		=====	=====
Dividend paid		(1,000,000)	(1,000,000)
National Stabilization Levy		(387,500)	
		=====	=====
Financing activities			
Receipts/(payments) in borrowed funds		(20,171,016)	74,472,543
Increase in Credit Reserve		-	5,933,168
		=====	=====
Net cash generated from financing activities		(20,171,016)	80,405,711
		=====	=====
Increase in cash and cash equivalents		99,148,801	(6,488,970)
Cash and cash equivalents at 1 January		151,288,362	157,777,332
		=====	=====
Cash and cash equivalents at 31 December	25	250,437,163	151,288,362
		=====	=====

Notes to the financial statements for the year ended 31 December 2009

1. Reporting entity

Agricultural Development Bank (ADB) is a financial institution incorporated in Ghana. The registered office of the Agricultural Development Bank is located at 37 Independence Avenue, Accra. The Agricultural Development Bank operates under the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act of 2008 (Act 738), and the Agricultural Development Bank Act 1965 (Act 286) as amended by NLCD 182 of 1967 and Act 352 of 1970.

2. Basis of preparation

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) and its interpretations as adopted by the International Accounting Standards Board (IASB). In accordance with the transitional requirements of these standards, ADB has provided full comparative information.

b. Basis of measurement

The financial statements are presented in Ghana cedis which is ADB's functional currency, rounded to the nearest thousand. They are prepared on the historical cost basis except for the following assets and liabilities that are stated at their fair value: financial instruments that are fair value through profit and loss and financial instruments classified as available-for-sale. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the ADB is provided in note 33 to the financial statements.

c. Use of estimated and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes one (1).

Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated as fair value through profit and loss, are recognized within interest income and interest expense in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

1. Significant accounting policies

Interest income and expense

Interest income includes interest on loans and advances and placements with other banks, and is recognised in the period in which it is earned.

Fees and commissions

Fee and commission incomes and expenses that are integral to the effective interest rate on financial instruments are included in the measurement of the effective interest rate.

Other fees and commissions income are recognised as the related services are performed.

Government securities

Government securities comprise treasury bills and treasury bonds which are debt securities issued by the Government of Ghana. These are classified as held to maturity and are stated at amortised cost.

Unquoted investments

Unquoted investments are stated at cost less impairment loss where applicable.

Investments in companies

Investments in companies are stated at cost less impairment loss where applicable.

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of the assets previous carrying amount and fair value less costs to sell.

Property and equipment

Property and equipment are stated at cost or as professionally revalued from time to time less accumulated depreciation.

Increases in the carrying amount arising on revaluation are credited to a revaluation surplus. Decreases that offset previous increases of the same asset are charged against the revaluation surplus. All other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of an asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation surplus to revenue reserves.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

1. Accounting policies - (continued)

Depreciation

Freehold land is not depreciated as it is deemed to have an indefinite life.

Depreciation on other property and equipment is calculated to write off their cost or valuation in equal annual instalments over their estimated useful lives. The annual rates in use are:

Buildings	5%
Computers	33.33%
Motor vehicles	33.33%
Furniture and equipments	20%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Leasehold land

Payments to acquire leasehold interest in land are treated as operating lease prepayments and amortised over the period of the lease.

Computer software development costs

Generally, costs associated with developing computer software programmes are recognised as an expense when incurred. However, costs that are clearly associated with an identifiable and unique product which will be controlled by the bank and has a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original costs of the software.

Computer software development costs recognised as assets are stated at cost less amortisation.

Amortisation is calculated on a straight line basis over the estimated useful lives not exceeding a period of 3 years.

Taxation

The Bank is not liable to taxation.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into Ghana Cedis at the rates of exchange ruling at the date of the statement of financial position. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains or losses on exchange are dealt with in the statement of comprehensive income.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

1. Accounting policies - (continued)

Statutory Credit Risk Reserve

IAS 36 requires the bank to recognise an impairment loss when there is objective evidence that loans and advances are impaired. However, Central Bank of Ghana prudential guidelines require the bank to set aside amounts for impairment losses on loans and advances in addition to those losses that have been recognised under IAS 36. Any such amounts set aside represent appropriations of retained earnings and not expenses in determining profit or loss. These amounts are dealt with in the statutory credit reserve. The provision for this additional impairment amounts is to be made only when impairment amounts provided under IFRS rules are lower than the figure to be provided under BoG Prudential Guidelines.

Retirement benefit costs

The bank operates a defined contribution benefit scheme for its employees. The assets of this scheme is held by the treasury department of the bank. The scheme is funded by contributions from both the employees and employer. Benefits are paid to retiring staff in accordance with the scheme rules.

The bank also contributes to the statutory Social Security & National Insurance Trust (SSNIT). This is a defined contribution scheme registered under the National Social Security Act. The bank's obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of 12.5% of an employee's basic salary per month. The bank's obligations to staff retirement benefit schemes are charged to the statement of comprehensive income in the year to which they relate.

Provision for employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the date of the statement of financial position.

Financial instruments

A financial asset or liability is recognised when the bank becomes party to the contractual provisions of the instrument.

Financial assets

The bank classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans, advances and receivables; held-to-maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through statement of comprehensive income at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans, advances and receivables

Loans, advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and advances are recognized when cash is advanced to borrowers. They are categorized as originated loans and carried at amortised cost.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

1. Accounting policies - (continued)

Financial instruments (Continued)

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs, other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale.

Available-for-sale financial assets

Financial assets that are not (a) financial assets at fair value through the statement of comprehensive income, (b) loans, advances and receivables, or (c) financial assets held to maturity.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans, advances and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in the statement of comprehensive income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the bank's right to receive payment is established.

Fair values of quoted investments in active markets are based on quoted bid prices. Equity securities for which fair values cannot be measured reliably are measured at cost less impairment.

Impairment and uncollectability of financial assets

At each date of the statement of financial position, all financial assets are subject to review for impairment.

If it is probable that the bank will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance account. The amount of the loss incurred is included in the statement of comprehensive income for the period.

If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognised directly in equity is removed from equity and recognised in the statement of comprehensive income for the period even though the financial asset has not been derecognised.

The bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment together with financial assets with similar risk characteristics.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

1. Accounting policies (continued)

Impairment and uncollectability of financial assets

Objective evidence that financial assets are impaired can include observable data that comes to the attention of the bank about the following loss events:

- Significant financial difficulty of the borrower
- default or delinquency by a borrower,
- restructuring of a loan or advance by the bank on terms that the bank would not otherwise consider,
- indications that a borrower or issuer will enter bankruptcy,
- the disappearance of an active market for a security, or
- other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment the bank uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

a. **Assets carried at amortised cost**

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in the statement of comprehensive income and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

b. **Assets carried at fair value**

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to the statement of comprehensive income. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through the statement of comprehensive income.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

c. **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 treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

1. Accounting policies (continued)

Financial liabilities

Debt and equity instruments are classified, as either financial liabilities or as equity in accordance with the substance of the contractual agreement.

After initial recognition, the bank measures all financial liabilities including customer deposits and borrowings other than liabilities held for trading at amortised cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

Interest-bearing borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Repurchase agreement transactions

Securities purchased from the Central Bank of Ghana under agreements to resell ("reverse repo's"), are disclosed as balances with the Central Bank of Ghana as they are held to maturity after which they are repurchased and are not negotiable/discounted during the tenure. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repurchase agreement using the effective yield method.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Bank as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Bank's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Bank as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are generally written by the bank to support performance by a customer to third parties. The bank will only be required to meet these obligations in the event of the customer's default.

Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the bank acts in a fiduciary capacity such as nominee, trustee or agent.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

1. Accounting policies - (continued)

Cash and cash equivalents

For the purposes of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the dates of the advances.

Dividends

Dividends are charged to equity in the period in which they are declared. Proposed dividends are not accrued until they have been ratified at the Annual General Meeting.

Segmental reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

Standards, amendments and interpretations effective in 2009

The Bank has adopted the following new standards, amendments and interpretations as at 1 January 2009.

- IFRS 7 Financial Instruments: Disclosures. The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, are reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. Estimated fair value is the amount at which an instrument could be exchanged in a current transaction between willing parties other than enforced or liquidation sale.
- The Bank has concluded that the fair value of financial instruments approximate to their carrying amounts as they bear variable interest rates determined under market conditions.
- IFRS 8 Operating Segments. This standard requires disclosure of information about the company's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the company. IFRS 8 replaces IAS 14 Segment Reporting upon effective date. IFRS 8 disclosures are shown in note 29.
- IAS 1 (Revised 2007) Presentation of Financial Statements. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income, which presents income and expense items recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Bank has elected to present comprehensive income in one single statement and it has not provided a restated comparative set of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, or has a retrospective restatement, or retrospectively reclassified items in the financial statements.
- IAS 23 Borrowing Costs. The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. During the year, there were no borrowings for the acquisition of capital assets.
- IAS 32, Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation -These amendments to IAS 32 and IAS 1 were issued in February 2008 and became effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfill a number of specified features. The adoption of these standards had no material impact on the financial position or the performance of the Company.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

- IFRS 2, Amendments to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations (effective from 1 January 2009). The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. This amendment had no material impact on the financial position or performance of the Bank.
- IFRIC 13, Customer Loyalty Programmes, which was issued in June 2007 and effective for accounting periods beginning 1 July 2008. This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to award credits and deferred. This is then recognized as revenue over the period that the award credits are redeemed. IFRIC 13 had no material impact on the financial position or performance of the Bank.
- IFRIC 15 Agreement for the Construction of Real Estate IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. This standard has no material effect on the Bank's financial statements.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation. IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This standard has no material impact on the Bank's financial statements.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal Company's classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.
- IFRS 8 Operating Segment Information: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Bank's chief operating decision maker does review segment assets and liabilities, the Bank has disclosed this information in Note 29.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

- IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Bank analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position.
- IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2009 upon cash settlement.
- IAS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". This did not result in any change in the financial position of the Bank.
- IAS 18 Revenue: The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
 - Has primary responsibility for providing the goods or service
 - Has inventory risk
 - Has discretion in establishing prices
 - Bears the credit risk
- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance: Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates. This amendment did not impact the Bank.
- IAS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one - the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. This amendment has no impact on the Bank.
- IAS 36 Impairment of Assets: When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'. This amendment had no immediate impact on the financial statements of the Bank.
- IAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the Bank either has the right to access the goods or has received the service. This amendment has no impact on the Bank because it does not enter into such promotional activities.
- Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Bank:

- IFRS 2 Share-based Payment
- IFRS 7 Financial Instruments: Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period
- IAS 19 Employee Benefits
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 31 Interest in Joint Ventures
- IAS 34 Interim Financial Reporting
- IAS 38 Intangible Assets
- IAS 40 Investment Properties
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

Amendments to published standards and interpretations issued but not yet effective 1 January 2009

- The Bank has chosen not to early adopt the following standards, amendments and interpretations to existing standards that were issued, but not yet effective, for accounting periods beginning on 1 January 2009. The Bank expects that adoption of these standards, amendments and interpretations is expected not to have any significant impact on the Bank's financial statements in the period of initial application but additional disclosures will be required.
- IFRS 2 Share-based Payment (Revised): The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions and is effective for the periods beginning on or after 1 January 2010.
- IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements (effective 1 July 2009)-The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3R and IAS 27R will affect future acquisitions or loss of control and transactions with minority interests. The change in accounting policy had no material impact on the earnings per share.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

- IAS 24 Related Party Disclosure (Revised): The revised Standard was issued in November 2009 and shall be applied retrospectively for annual periods beginning on or after 1 January 2011. The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties. This Standard shall be applied in: identifying related party relationships and transactions; identifying outstanding balances, including commitments, between an entity and its related parties; identifying the circumstances in which disclosure of the items in (a) and (b) is required; and determining the disclosures to be made about those items. This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of a parent, venturer or investor presented in accordance with IAS 27 Consolidated and Separate Financial Statements. This Standard also applies to individual financial statements.
- IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items - These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. As per management assessment, the amendment has no impact on the financial position or performance of the bank as the bank has not entered into such hedges.
- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement: This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.
- IFRIC 17-Distribution of Non-Cash Assets to Owners-effective for periods beginning on or after 1 July 2009-This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. This standard has no effect on the company's financial statements.
- IFRIC 18-Transfers of Assets from Customers effective for periods beginning on or after 1 July 2009-This interpretation provides guidance on how to account for items of property, plant and equipment received from customers, or cash that is received and used to acquire or construct specific assets. This interpretation only applies to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. This standard has no effect on the company's financial statements.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

2. Financial risk management

Introduction and overview

The bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the bank's business, and the operational risks are an inevitable consequence of being in business. The bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance. The most important types of risk include:

- Credit risk
- Liquidity risk
- Market risk- includes currency, interest rate and other price risk
- Operational risk

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The board has established a Board Audit and Risk Committees and a risk department to assist in the discharge of this responsibility. The board has also established the Credit Committee which is responsible for developing and monitoring risk management in their respective areas.

The bank's risk management policies are established to identify and analyse the risks faced by the bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The bank's Audit and Risk Management Committees are responsible for monitoring compliance with the bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the bank. The Audit and Risk Management Committees are assisted in these functions by Internal Audit and the risk management departments. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Sub Board Audit Committee.

i) Credit risk

Credit risk is the risk of financial loss to the bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the bank's loans and advances to customers and other banks and investment securities.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

2. *Financial risk management - (Continued)*

For risk management reporting purposes, the bank considers and consolidates all elements of credit risk exposure.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Credit-Committee and Sub-Board Risk Management Committee. A separate Credit department, reporting to the Executive Committee, is responsible for oversight of the bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business units. Larger facilities require approval by the Executive Committee members and the Board (Sub Committee) on risk management.
- Reviewing and assessing credit risk. The Credit departments assess all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process. Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).

Developing and maintaining the bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of 4 grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the Board of Directors. Risk grades are subject to regular reviews by the Risk Management Department.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the credit department on the credit quality of portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the bank in the management of credit risk.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

2. Risk management

The Bank has a risk management department organised into credit control, recoveries and operational control. Under the credit control department, it has credit administration, credit risk appraisal and credit monitoring. The department is responsible for managing all risks to which the Bank is exposed (operational risk, credit risk, liquidity risk, interest rate risk and foreign currency risk.) The risk management department is developing a risk management framework for the Bank.

The Bank treats all branches as independent business units which generate their own income, run their own profit and loss account and statement of financial position. The head office consolidates these and exercises oversight responsibility over all the branches. Credit is generated at the branch level and is then channelled through the credit control unit of the risk management department where a credit risk appraisal is performed to assess whether to engage the client or not. The client's file is then moved to the head of risk management and to the other appropriate levels (credit committee, board and so on) for final approval before credit is granted. There is also the monitoring aspect where the head office credit monitoring team monitors the loans and their performance in addition to the monitoring performed at the branch level. Where a loan goes beyond current, it is classified as either olem, substandard, doubtful and loss, as recommended by the Central Bank of Ghana. Where a loan goes beyond current, there is the recoveries team which moves in to recover loan losses. From 2009, the Bank is implementing a different loan classification/structure which is more stringent than those recommended by Central Bank of Ghana. There will be no classification based on current, olem, substandard, doubtful or loss except for Central Bank of Ghana reporting.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

2. Accounting policies (continued)

	2009 GH¢	2008 GH¢
On- statement of financial position items		
a) Government securities	125,593,869	87,323,906
b) Deposits Due From financial Institutions	-----	-----
- Local	33,730,468	11,382,805
- Foreign	15,221,883	10,694,499
	-----	-----
	48,952,351	22,077,304
c) Loans and advances to customers:	-----	-----
Loans to individuals:		
- Overdrafts	46,591,761	49,053,836
- Term loans	63,061,268	70,560,958
	-----	-----
	109,653,029	119,614,794
Loans to corporate entities:	-----	-----
- Overdrafts	136,631,809	124,112,803
- Term loans	190,831,436	172,999,896
	-----	-----
	327,463,245	297,112,699
Gross loans and advances(including suspended interest)	437,116,274	416,727,493
c) Other assets	-----	-----
- Inter Bank Clearing Items	14,546,257	16,096,546
- Other	59,586,778	56,502,925
	-----	-----
	74,133,035	72,599,471
Off- statement of financial position items	-----	-----
Letters of credit	8,858,819	27,685,392
Guarantees & indemnities	126,331,058	86,810,518
	-----	-----
	135,189,878	114,495,910
	-----	-----

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

2. Financial risk management (continued)

i) Credit risk (continued)

The bank does not perceive any significant credit risk on the following financial assets:

- Investments in Government securities and Central Bank of Ghana.
- Off statement of financial position items

Classification of loans and advances

The table below represents the maximum credit risk exposure to the bank at 31 December 2009, and after taking into account credit enhancements.

2009

Loans and advances to customers

	Gross amounts GH¢	Impairment %
Neither past due nor impaired	324,440,377	98%
Past due but not impaired	6,502,229	2%
	<hr/> <hr/>	<hr/> <hr/>
	330,942,606	100%
	<hr/> <hr/>	<hr/> <hr/>

Each business unit is required to implement bank credit policies and procedures, with credit approval authorities delegated from the banks Risk Management Department. Each business unit has a Credit Risk officer who reports on all credit related matters to Risk Management Department.

Impaired loans

Impaired loans and securities are loans and securities for which the bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s).

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

2. Financial risk management (continued)

i) Credit risk (continued)

Past due but not impaired loans

Loans and advances where contractual interest or principal payments are past due but the bank believes that impairment is not appropriate on the basis of the level of security/collateral available and / or the stage of collection of amounts owed to the bank.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

The bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for banks of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The bank writes off a loan / security balance (and any related allowances for impairment losses) when the Credit department determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status.

Collateral held

The bank holds collateral against loans and advances to customers in the form of cash, mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over Interbank placements, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2009.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

2. Financial risk management (continued)

Collateral held (Continued)

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

	2009 GH¢	2008 GH¢
Against individually impaired		
Property	146,306,744	4,886,154
Against neither past due nor impaired		
Property	312,985,301	420,313,987
Total	459,292,045	425,200,141

Concentrations of risk

The bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

(a) Advances to customers- gross

	2009 GH¢	%	2008 GH¢	%
Agriculture	105,304,582	24.09%	101,374,375	24.33%
Manufacturing	50,077,713	11.46%	53,954,218	12.95%
Commerce & Finance	48,297,276	11.05%	50,168,763	12.04%
Transport & communications	13,507,098	3.09%	1,786,783	0.43%
Mining and quarrying	9,359,085	2.14%	4,122,712	0.99%
Building & construction	42,314,151	9.68%	36,388,454	8.73%
Services	143,192,212	32.76%	149,512,360	35.88%
Others	25,064,156	5.73%	19,419,828	4.66%
	437,116,273	100%	416,727,493	100%

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

(b) Off statement of financial position items (letters of credit and guarantees)

	2009 GH¢	%	2008 GH¢	%
Social comm. & personal serv.	27,686,887	20.48%	25,676,870	22.43%
Business services	66,567,496	49.24%	54,931,400	47.98%
Transport & communication	22,279,292	16.48%	16,602,864	14.50%
Other	17,899,140	13.24%	16,165,316	14.12%
Manufacturing	757,063	0.56%	1,119,460	0.98%
	-----	-----	-----	-----
	135,189,878	100%	114,495,910	100.00%
	=====	=====	=====	=====

Settlement risk

The bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the bank mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from the bank's risk function.

ii. Liquidity risk

Liquidity risk is the risk that the bank will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the bank's reputation.

The treasury department maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the bank as a whole.

Exposure to liquidity risk

The key measure used by the bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

Residual contractual maturities of financial liabilities

The table below presents the cash flows payable by the bank under non-derivative financial liabilities by the remaining contractual maturities at the date of the statement of financial position. The amounts disclosed in the table are the contractual undiscounted cashflows, whereas the bank manages the inherent liquidity risk based on expected undiscounted inflows.

The bank's cashflow however vary significantly from this analysis. For example, customer deposits are maintained for longer periods than the contractual maturity dates hence the deposit base is considered to be of a stable and long term nature.

The previous table shows the undiscounted cash flows on the bank's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The bank's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance; and unrecognised loan commitments are not all expected to be drawn down immediately. The gross nominal inflow / (outflow) disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability or commitment.

iii. Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

Overall responsibility for management of market risk rests with Asset and Liability Management Committee (ALCO). The risk department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day to day implementation of those policies.

a) Interest rate risk

The bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The maturities of assets and liabilities and the ability to replace at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the bank's exposure to changes in interest rates and liquidity.

Interest rates on advances to customers and other risk assets are pegged to the bank's base lending rate. The base rate is adjusted from time to time to reflect the cost of funds.

The Assets and Liability Management Committee closely monitors the interest rate trends to minimize the potential adverse impact of interest rate changes.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

2. Financial risk management (continued) ii) Liquidity risk (continued)

	Carrying amount GH¢	Up to 1 month GH¢	1-3 months GH¢	3-12 months GH¢	1-5 years GH¢	Over 5 years GH¢	Total GH¢
Financial liabilities							
Customer deposits	425,144,815	77,120,792	60,368,949	186,485,739	101,169,335	-	425,144,815
Borrowings	88,201,147	13,595,610	4,604,146	20,718,659	39,029,381	10,253,351	88,201,147
Other liabilities	99,602,073	30,346,250	14,252,575	28,511,338	26,491,910	-	99,602,073
Total financial liabilities	612,948,035	121,062,652	79,225,670	235,715,736	166,690,626	10,253,351	612,948,035
Financial assets							
Cash and bal. with Central Bank of Ghana	75,890,943	75,890,943	-	-	-	-	75,890,943
Government Securities and other investments	125,593,869	35,522,565	64,000,000	5,000,000	21,071,304	-	125,593,869
Deposits and bal. due from banking institutions	48,952,351	48,952,351	-	-	-	-	48,952,351
Other Investments	7,257,819	-	-	-	-	-	7,257,819
Loans and advances to customers (net)	372,864,956	65,098,581	67,588,259	141,837,350	61,143,604	37,197,162	372,864,956
Other assets	73,745,535	-	287,575	65,953,543	7,504,417	-	73,745,535
Long term investments	5,200,877	-	-	-	5,200,877	-	5,200,877
Property and equipment	25,058,866	-	-	-	25,058,866	-	25,058,866
Total financial assets	734,565,216	225,464,440	131,875,834	220,048,712	119,979,068	37,197,162	734,565,216
NET LIQUIDITY GAP	121,617,181	104,401,788	52,650,164	(15,667,024)	(46,711,558)	26,943,811	121,617,181
As at 31 December 2009							
Total Financial Liabilities	612,948,035	121,062,652	79,225,670	235,715,736	166,690,626	10,253,351	612,948,035
Total Financial Assets	734,565,216	225,464,440	131,875,834	220,048,712	119,979,068	37,197,162	734,565,216
NET LIQUIDITY GAP	121,617,181	104,401,788	52,650,164	(15,667,024)	(46,711,558)	26,943,811	121,617,181

The bank's cashflow however vary significantly from this analysis. For example, customer deposits are maintained for longer periods than the contractual maturity dates hence the deposit base is considered to be of a stable and long term nature.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

2. Financial risk management (continued) a) Interest rate risk (continued)

The table below summarises the exposure to interest rate risks. Included in the table are the bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

	Less than 1 month	1 month less than 3 months	3 months less than 6 months	6 months less than 1 year	1 year less than 3 years	Total
Financial assets						
Cash and balances with Central Bank of Ghana	75,890,943	~	~	~	~	75,890,943
Government Securities	35,522,565	64,000,000	5,000,000	15,000,000	6,071,304	125,593,869
Deposits and balances due from banking institutions	48,952,351	~	~	~	~	48,952,351
Loans and advances to customers (net)	65,098,581	67,588,259	44,836,762	97,000,588	98,340,766	372,864,956
Total financial assets	225,464,440	131,588,259	49,836,762	112,000,588	104,412,070	623,302,119
Financial liabilities						
Customer deposits	77,120,792	60,368,949	88,015,516	98,470,223	101,169,335	425,144,815
Deposits and balances due to banking institutions	13,595,610	4,604,146	6,906,220	13,812,439	49,282,732	88,201,147
Total financial liabilities	90,716,402	64,973,095	94,921,736	112,282,662	150,452,067	513,345,962
Interest rate sensitivity Gap						
As at 31 December 2009	225,464,440	131,588,259	49,836,762	112,000,588	104,412,070	623,302,119
Total financial assets	90,716,402	64,973,095	94,921,736	112,282,662	150,452,067	513,345,962
Total financial liabilities						
Interest rate sensitivity Gap	134,748,038	66,615,164	(45,084,974)	(282,074)	(46,039,997)	109,956,157

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

2. Financial risk management (continued)

a) Interest rate risk (Continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the bank.

The interest rate risks sensitivity analysis is based on the following assumptions.

- Changes in the market interest rates affect the interest income or expenses of variable interest financial instruments
- Changes in market interest rates only affect interest income or expenses in relation to financial instruments with fixed interest rates if these are recognized at their fair value.
- The interest rate changes will have a significant effect on interest sensitive assets and liabilities and hence simulation modeling is applied to net interest margins.
- The interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged.
- The projections make other assumptions including that all positions run to maturity.

Interest rate risk and foreign currency risk

The Bank uses the Reuters system to monitor live interest and exchange rates to facilitate trading by the treasury department. This helps the Bank to know what is happening at any moment in time on the markets and where opportunities are present to make gains from high interest rates. The bank has also instituted a Basel II compliance committee which is scheduled to meet throughout the year to review various risks that the Bank faces and how to move closely to Basel II. The bank does not embark on hedging of its interest rate risk and foreign currency risk.

b. Foreign exchange risk

The bank operates wholly within Ghana and its assets and liabilities are carried in local currency. The bank maintains trade with correspondent banks and takes deposits and lends in foreign currencies. The bank is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The bank's currency position and exposure are managed within the exposure guideline of 30% of the core capital as stipulated by the Central Bank of Ghana. This position is reviewed on a daily basis by management.

The exchange rates used for translating the major foreign currency balances at the year end were as follows:

	2009 GH¢	2008 GH¢
US Dollar	1.4340	1.2137
GB Pound	2.3115	1.7589
EURO	2.0687	1.7103

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

2. Financial risk management (Continued)

a) Interest rate risk (continued)

The table below summarises the exposure to interest rate risks. Included in the table are the bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

	Less than 1 month	1 month less than 3 months	3 months less than 6 months	6 months less than 1 year	1 year less than 3 years	Total
Financial assets						
Cash and balances with Central Bank of Ghana	41,887,152	-	-	-	-	41,887,152
Government Securities	4,071,303	27,939,273	13,813,330	20,500,000	21,000,000	87,323,906
Deposits and balances due from banking institutions	22,077,304	-	-	-	-	22,077,304
Loans and advances to customers (net)	136,993,986	67,737,798	45,082,811	59,305,258	61,486,805	370,606,658
Total financial assets	205,029,745	95,677,071	58,896,141	79,805,258	82,486,805	521,895,020
Financial liabilities						
Customer deposits	60,864,387	79,780,728	29,318,926	69,161,457	80,374,432	319,499,930
Deposits and balances due to banking institutions	39,934,232	3,733,538	5,600,307	11,200,615	47,903,471	108,372,163
Total financial liabilities	100,798,619	83,514,266	34,919,233	80,362,072	128,277,903	427,872,093
Interest rate sensitivity Gap						
As at 31 December 2008						
Total financial assets	205,029,745	95,677,071	58,896,141	79,805,258	82,486,805	521,895,020
Total financial liabilities	100,798,619	83,514,266	34,919,233	80,362,072	128,277,903	427,872,093
Interest rate sensitivity Gap	104,231,126	12,162,805	23,976,908	(556,814)	(45,791,098)	94,022,927

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

2. Financial risk management (continued)

a) Interest rate risk (Continued)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the bank.

The interest rate risks sensitivity analysis is based on the following assumptions.

- Changes in the market interest rates affect the interest income or expenses of variable interest financial instruments
- Changes in market interest rates only affect interest income or expenses in relation to financial instruments with fixed interest rates if these are recognized at their fair value.
- The interest rate changes will have a significant effect on interest sensitive assets and liabilities and hence simulation modeling is applied to net interest margins.
- The interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged.
- The projections make other assumptions including that all positions run to maturity.

Interest rate risk and foreign currency risk

The Bank uses the Reuters system to monitor live interest and exchange rates to facilitate trading by the treasury department. This helps the Bank to know what is happening at any moment in time on the markets and where opportunities are present to make gains from high interest rates. The bank has also instituted a Basel II compliance committee which is scheduled to meet throughout the year to review various risks that the Bank faces and how to move closely to Basel II. The bank does not embark on hedging of its interest rate risk and foreign currency risk.

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The bank operates wholly within Ghana and its assets and liabilities are carried in local currency. The bank maintains trade with correspondent banks and takes deposits and lends in foreign currencies. The bank is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The bank's currency position and exposure are managed within the exposure guideline of 30% of the core capital as stipulated by the Central Bank of Ghana. This position is reviewed on a daily basis by management.

The exchange rates used for translating the major foreign currency balances at the year end were as follows:

	2008 GH¢	2007 GH¢
US Dollar	1.2137	0.9598
GB Pound	1.7589	1.9177
EURO	1.7103	1.4145

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

2. Financial risk management (Continued)

a) Foreign exchange risk (Continued)

The table below summarises the bank's exposure to foreign currency exchange rate risk as at balance sheet date. (All figures are in thousand Ghana Cedis)

	USD	GBP	EUR	OTHER	TOTAL GH¢
a. Assets					
Cash & bal. with Central Bank of Ghana	15,982,950	1,068,630	1,422,292	188,179	18,662,051
Investment Securities	-	2,250,000	-	-	2,250,000
Deposits and bal. due from banking inst.	-	1,100,000	323,315	179	1,423,494
Loans and advances to customers (net)	45,022,888	-	944,816	-	45,967,704
Other Assets	172,362	7,595	11,017	60	191,034
Total financial assets	61,178,200	4,426,225	2,701,440	188,418	68,494,283
b. Financial liabilities					
Customer deposits	19,742,810	1,280,284	2,397,631	166,855	23,587,580
Borrowings	36,923,071	-	-	-	-
Other Liabilities	606,242	7,595	11,017	60	624,914
Total financial liabilities	57,272,123	1,287,879	2,408,648	166,915	24,212,494
c. Net bal. sheet position					
As at 31 December 2009					
A Total financial assets	61,178,200	4,426,225	2,701,440	188,418	68,494,283
B Total financial Liabilities	57,272,123	1,287,879	2,408,648	166,915	24,212,494
C Net balance sheet position	3,906,077	3,138,346	292,792	21,503	44,281,789

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

2. Financial risk management (Continued)

b) Foreign exchange risk (continued)

Foreign exchange risk - Appreciation/depreciation of GH¢ against other currencies by approx. 10%

The Foreign exchange risks sensitivity analysis is based on the following assumptions:

- Foreign exchange exposures represent net currency positions of all currencies other than Ghana Cedis.
- The currency risk sensitivity analysis is based on the assumption that all net currency positions are highly effective.
- The base currency in which the bank's business is transacted is Ghana Cedis.

iv) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the bank's operations and are faced by all business entities.

This is a major risk to the Bank because it has the potential of running the whole bank down if not managed. Operational risks relate to the risk that the Bank's operations may be halted temporarily or permanently by inadequate internal and/or systems controls, allowing for people to take advantage to commit fraud. The bank has invested more into managing this risk and saving the assets of the company.

The bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with the bank's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The reports of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board Sub-Audit Committee.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

3. Capital Management

Regulatory capital

The Central Bank of Ghana sets and monitors capital requirements for the bank.

The bank's objectives when managing capital are:

- To safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders.
- To maintain a strong capital base to support the current and future development needs of the business.
- To comply with the capital requirements set by the Central Bank of Ghana.

Capital adequacy and use of regulatory capital are monitored by management employing techniques based on the guidelines developed by the Central Bank of Ghana for supervisory purposes. The required information is filed with the Central Bank of Ghana on a monthly basis.

The Central Bank of Ghana requires each bank to:

- a) Hold the minimum level of regulatory capital of GH¢60 Million by the end of 2010.
- b) Maintain a ratio of total regulatory capital; to risk weighted assets plus risk weighted off balance assets at above the required minimum of 10%;

The bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, after deductions for intangible assets (excluding computer software), investments in equity instruments of other institutions and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes Capitalised Revaluations Reserves; Latent Revaluation Reserves; Undisclosed Reserves; Revaluation Reserves; Sub-Ordinated Loans and Hybrid Capital subject to a limit of 100% of Tier 1 Capital.

The bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

3. Capital management (continued)

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Bank Risk and Bank Credit, and is subject to review by the Bank Credit Committee and or ALCO as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the bank's longer term strategic objectives. The bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

4a. Critical accounting estimates and judgments in applying the bank's accounting policies

In the process of applying the bank's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

These are dealt with below:

b. Impairment losses on loans and advances

The bank reviews its loan portfolios to assess impairment regularly. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cashflows from a portfolio of loans, before a decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a bank, or national or local economic conditions that correlate with defaults on assets in the bank.

c. Impairment losses on loans and advances

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. 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.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

d. Held-to-maturity investments

The bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the bank evaluates its intention and ability to hold such investments to maturity. If the bank fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

e. Property and equipment

Critical estimates are made by the directors in determining depreciation rates for property and equipment.

5. Going concern

As at 31 December 2009, the bank had an accumulated revenue surplus of GH¢6,949,811 (2008 - Surplus of GH¢13,952,384).

The directors are confident of continued Profitable performance in the coming years in view of the continued stability of the Ghanaian economy in the face of daunting challenges aroused by the current global financial crises. The Directors have put in place measures to ensure consistent good performance and avoid risks that may impair the Quality of the Banks credit portfolio.

In view of the above, the directors consider it appropriate to prepare these financial statements on a going concern basis.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

	2009 GH¢	2008 GH¢
6. Interest income		
Loans and advances	63,550,062	49,060,634
Government securities - (Held to Maturity Investments)	15,793,753	9,547,042
Cash and short term funds	2,072,123	1,081,224
	-----	-----
	81,415,938	59,688,900
	=====	=====
7. Interest expense		
(a) On deposits:		
Fixed /Time deposits	19,634,569	8,041,769
Savings Deposits	5,704,668	3,077,635
Demand & Call deposits	9,394,784	5,067,660
	-----	-----
	34,734,021	16,187,064
	=====	=====
(b) On borrowed funds:		
Inter-Bank Borrowing	522,337	269,815
Long-Term Borrowings	4,346,797	4,017,982
	-----	-----
	4,869,134	4,287,797
	-----	-----
	39,603,155	20,474,861
	=====	=====
8. Fees and commission		
(a) Income		
Commission on Turnover	5,090,373	4,281,362
Fees and Charges	9,440,286	8,645,827
Foreign Trade Income	8,536,662	7,121,094
Sale of Cheque Book Charges	613,167	634,632
Loan Fee Incomes	4,260,514	4,927,198
Guarantees Charges & Commission	686,191	455,179
	-----	-----
	28,627,193	26,065,292
	=====	=====

9. Gains on foreign exchange dealings

Gains on foreign currency dealings arose from dealings in foreign currency transactions and also on the translation of foreign currency assets and liabilities.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

	2009 GH¢	2008 GH¢
10. Other operating income		
Bad debts recovered	4,167,972	6,972,557
Dividends from investments	896,034	605,829
Agric Input Income	25,274	80,796
Interest on staff loans	1,459,144	2,493,803
	=====	=====
	6,548,424	10,152,985
	=====	=====
11. Operating expenses	2009 GH¢	2008 GH¢
Staff costs (Note 12)	39,790,772	38,504,673
Directors' fees	85,780	35,080
Depreciation	3,927,429	3,155,482
Occupancy Cost	9,231,617	8,083,026
Auditors Remuneration	70,000	59,000
Donations and Social Responsibility	492,140	361,044
Motor Vehicle Running Expenses	1,097,723	1,269,905
General & Administrative Expenses	7,238,572	5,792,880
Others	13,712	31,024
	=====	=====
	61,947,745	57,292,114
	=====	=====
12. Staff costs	2009 GH¢	2008 GH¢
Salaries and wages	25,045,705	21,207,457
Pension costs - (Defined contribution scheme to SSNIT)	2,228,396	1,783,299
Staff Provident Fund (Defined Contribution Scheme)	2,673,066	2,139,630
Staff Bonuses	2,218,170	2,000,996
Value of Staff Outstanding Leave at 31. 12. 2009	-	1,560,972
Income loss - Staff Loans at Concessionary Rates	1,459,144	2,242,476
Other staff related costs	6,166,291	7,569,843
	=====	=====
	39,790,772	38,504,673
	=====	=====

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

13. Earnings per share

Earnings per share is calculated by dividing the net profit attributable to shareholders by the number of ordinary shares in issue during the year.

	2009 GH¢	2008 GH¢
Earnings (GH¢)	12,667,366	14,934,890
Earnings attributable to ordinary shareholders	12,667,366	14,934,890
Number of shares		
Number of ordinary shares	25,000,000	25,000,000
Earnings per share	0.507	0.597
Basic (GH¢)	0.507	0.597

There were no potentially dilutive instruments outstanding at the date of the statement of financial position.

14. Cash and balances with Central Bank of Ghana

	2009 GH¢	2008 GH¢
Cash on hand	23,858,241	14,539,223
Balances with Central Bank of Ghana	52,032,702	27,347,929
	75,890,943	41,887,152
	=====	=====

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

15. Government securities Available for Sale Investments:	2009 GH¢	2008 GH¢
91-Day Treasury Bill	60,500,000	11,000,000
Treasury Notes	-	10,439,273
182-Day Treasury Bill	38,500,000	13,263,723
2-5 Year Fixed Rate Note	23,382,377	44,071,304
Foreign Bills	3,211,492	8,549,606
	<hr/>	<hr/>
	125,593,869	87,323,906
	<hr/>	<hr/>
Maturing within 90 days of the date of acquisition	60,500,000	43,252,602
	<hr/>	<hr/>
	60,500,000	43,252,602
	<hr/>	<hr/>
Maturity between 1 - 3 years of the date of acquisition	65,093,869	44,071,304
	<hr/>	<hr/>
	65,093,869	44,071,304
	<hr/>	<hr/>
	125,593,869	87,323,906
	<hr/>	<hr/>

The weighted average effective interest rate on treasury bills at 31 December 2009 was 22.93% (2008 - 24.66%) and the rate for treasury bonds at 31 December 2009 was 22.93%

16. Deposits and balances due from banking institutions	2009 GH¢	2008 GH¢
Items in course of collection	10,730,468	12,916,055
Nostro account balances	15,221,883	9,161,249
Placement with other banks	23,000,000	-
	<hr/>	<hr/>
	48,952,351	22,077,304
	<hr/>	<hr/>

The effective interest rate on deposits due from banking institutions at 31 December 2009 was 4% (2008 - 5.11%). The deposits mature within 90 days of the date of the statement of financial position.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

	2009 GH¢	2008 GH¢
17. Investments		
Other Investments	7,257,819	6,171,070
	<hr/>	<hr/>
	7,257,819	6,171,070
	<hr/>	<hr/>
At 1 January, 2009	6,171,070	6,171,070
Additional Investments	1,086,749	-
	<hr/>	<hr/>
At 31 December, 2009	7,257,819	6,171,070
	<hr/>	<hr/>
18. Loans and advances to customers	2009 GH¢	2008 GH¢
(a) Overdrafts	139,637,107	164,112,803
Loans	297,479,166	252,614,690
	<hr/>	<hr/>
Gross loans and advances	437,116,273	416,727,493
Provision for impaired loans and advances:		
-Individually assessed	(64,251,317)	(46,120,835)
	<hr/>	<hr/>
	372,864,956	370,606,658
	<hr/>	<hr/>

Included in net advances of GH¢372,864,956.00 are loans and advances of GH¢209,605,161.00 which have been classified as non-performing (impaired). Included in loans and advances to customers are staff loans amounting to GH¢14,607,481 (2008 - GH¢13,593,310). The effective interest rate on loans and advances at 31 December 2009 was 28.5% (2008 - 25%).

	2009 GH¢	2008 GH¢
(b)		
By maturity		
Maturing:		
Within one year	315,551,331	330,333,627
One to Three years	57,313,625	40,273,031
	<hr/>	<hr/>
	372,864,956	370,606,658
	<hr/>	<hr/>

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

	2009 GH¢	2008 GH¢
18. Loans and advances to customers		
(c) Provision for loans and advances		
At 1 January	46,120,835	36,270,677
Additional Provisions during the year	18,130,482	9,850,158
At 31 December	<hr/> 64,251,317	<hr/> 46,120,835
	=====	=====
18. Bad and Doubtful Debts Expense		
(d)		
Loans & Advances	15,696,800	6,344,820
Provisions for Guarantees & Indemnities	199,710	578,326
	<hr/> 15,896,510	<hr/> 6,923,146
	=====	=====
19. Other assets		
	2009 GH¢	2008 GH¢
Advance payment	3,194,464	2,383,715
Prepayments	4,872,699	2,556,670
Stationery Stocks	636,752	356,973
Sundry receivables	21,044,643	26,866,494
Others	43,996,977	40,435,619
	<hr/> 73,745,535	<hr/> 72,599,471
	=====	=====

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

	Land & Building GH¢	Computers GH¢	Furniture & Equip't GH¢	Motor vehicles GH¢	Capital WIP GH¢	Total GH¢
Cost/Valuation						
At 1 January 2009	16,032,364	10,971,446	4,593,806	4,388,503	288,404	36,274,523
Additions	591,268	1,198,820	971,172	1,866,882	172,827	4,800,969
Disposal	(510)	-	(13,335)	(538,764)	-	(552,609)
Transfers/Revaluations	(1,077)	(76,922)	2,137,435	-	(193,526)	1,865,910
At 31 Dec. 2009	16,622,045	12,093,344	7,689,078	5,716,621	267,705	42,388,793

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

20. Property & equipment - (continued)

	Land & Building GH¢	Computers GH¢	Furniture & Equip't GH¢	Motor vehicles GH¢	Capital WIP GH¢	Total GH¢
Depreciation						
At 1 Jan. 2009	1,229,708	7,667,314	2,713,153	2,335,531	-	13,945,706
Charge for the year	623,064	1,606,440	648,461	1,049,464	-	3,927,429
Released on Disp./Reval.	(420)	-	(7,964)	(526,364)	-	(534,748)
Transfers	-	185,165	(8,460)	(185,165)	-	(8,460)
At 31 Dec. 2009	1,852,352	9,458,919	3,345,190	2,673,466	-	17,329,927
Net book value						
At 31 Dec. 2009	14,769,693	2,634,425	4,343,888	3,043,155	267,705	25,058,866
At 31 Dec. 2008	14,802,656	3,304,132	1,880,653	2,052,972	288,404	22,328,817

The capital work in progress relates mainly to ongoing construction of new business office premises.

20. Property & equipment - (continued)

	Land & Building GH¢	Computers GH¢	Furniture & Equip't GH¢	Motor vehicles GH¢	Capital WIP GH¢	Total GH¢
Disposal Schedule						
Cost	510	-	13,335	538,764	-	552,609
Accumulated depreciation	(420)	-	(7,964)	(526,364)	-	(534,748)
Net book value	90	-	5,371	12,400	-	17,861
Proceeds	-	-	679	91,162	-	91,841
Profit/(Loss)	(90)	-	(4,692)	78,762	-	73,980

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

	2009 GH¢	2008 GH¢
21. Customer deposits		
Savings Deposits	85,439,480	69,576,667
Demand and Call Deposits	234,297,988	182,645,803
Fixed/Time Deposits	105,407,347	67,277,460
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	425,144,815	319,499,930
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
21 Customer deposits	2009 GH¢	2008 GH¢
Maturity analysis of customer deposits		
(a) From Government and parastatals:		
Payable within 90 days	9,778,251	12,564,130
Payable after 90 days and within one year	147,745,493	105,816,298
	<hr/> <hr/>	<hr/> <hr/>
	157,523,744	118,380,428
	<hr/> <hr/>	<hr/> <hr/>
(b) From Private Sector and individuals:		
Payable within 90 days	147,222,717	110,639,119
Payable after 90 days and within one year	120,398,354	90,480,383
	<hr/> <hr/>	<hr/> <hr/>
	267,621,071	201,119,502
	<hr/> <hr/>	<hr/> <hr/>
At 31 December	425,144,815	319,499,930
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

	2009 GH¢	2008 GH¢
22 Borrowed funds		
Loans:		
Citibank	50,741,529	65,336,922
Central Bank of Ghana	732,705	763,193
Government of Ghana	36,726,913	33,272,048
Overnight Borrowing	-	9,000,000
	=====	=====
	88,201,147	108,372,163
	=====	=====
23. Interest payable & other liabilities	2009 GH¢	2008 GH¢
Interest Payable	3,915,224	2,164,214
Payables	46,982,749	50,122,135
Accruals	11,335,273	9,647,748
Other liabilities	33,530,933	21,325,055
Staff Leave Provision	1,837,894	2,458,009
Dividend payable	2,000,000	2,000,000
	=====	=====
	99,602,073	87,717,161
	=====	=====

24 Stated Capital

(a) The number of authorised shares is 100,000,000 shares.

(b) Stated Capital is made up as follows:

	2009		2008	
	No. of Shares	Proceeds GH¢	No. of Shares	Proceeds GH¢
Issued for Cash	900,352	450,200	900,352	450,200
For Consideration other than cash	638,772	319,400	638,772	319,400
Transfer from Income Surplus	23,460,876	49,230,400	23,460,876	49,230,400
	=====	=====	=====	=====
	25,000,000	50,000,000	25,000,000	50,000,000
	=====	=====	=====	=====

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

25 Notes to the cash flow statement	2009 GH¢	2008 GH¢
(a) Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	13,334,069	14,934,890
Adjustments for:		
Depreciation	3,927,429	3,155,482
Change in provision	18,130,482	2,916,990
(Gain)/loss on disposal of property and equipment	(73,980)	(65,541)
Exchange difference on foreign investment	(3,925,577)	-
Profit before working capital changes	31,392,423	20,941,821
(Increase) /decrease in loans & advances	(20,388,780)	(151,473,724)
(Increase)/decrease in other assets	(758,564)	(17,050,831)
Increase/(decrease) in customer deposits	105,644,885	48,475,289
Increase/(decrease) in interest payable & other liabilities	10,613,230	16,110,639
Cash generated from operations	126,503,194	(82,996,806)
	=====	=====
(b) Analysis of the balances of cash and cash equivalents		
Cash & balances with Bank of Ghana	75,890,943	41,887,152
Government securities	125,593,869	87,323,906
Deposits and balances due from banking institutions	48,952,351	22,077,304
	=====	=====
	250,437,163	151,288,362
	=====	=====

For the purposes of the statement statement of cash flows, cash equivalents include short term liquid investments with maturities less than three months.

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

26. Contingencies and commitments including off statement of financial position items Contingent liabilities

In common with other banks, the bank conducts business involving acceptances, guarantees, performances and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

	2009 GH¢	2008 GH¢
(a)		
Letters of credit	8,858,819	27,685,392
Guarantees and Indemnities	126,331,058	86,810,518
	=====	=====
	135,189,877	114,495,910
	=====	=====

Letters of credit commit the bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Concentrations of contingent liabilities are covered under note 2.

27. Management compensation

The remuneration of directors and other members of key management during the year were as follows:

	2009 GH¢	2008 GH¢
Salaries	1,406,988	1,283,429
Allowances	526,657	354,173
	=====	=====
	1,933,645	1,637,602
	=====	=====

Management staff constitutes staff with grades Senior Manager and above.

Directors' remuneration

Fees for services as directors	85,780	35,080
	=====	=====

28. Retirement benefit obligations

Contributions to the statutory defined contribution pension scheme, the National Social Security Fund Provident Fund	2,228,396	1,783,299
	2,673,066	2,135,430
	=====	=====
	4,901,462	3,918,729
	=====	=====

Notes to the financial statements for the year ended 31 December 2009 (cont'd)

29 Segmental reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Bank currently uses single segmental reporting to management.

30 Assets pledged as security

As at 31 December 2009, there were no assets pledged to secure liabilities.

31 Fair values

The carrying values of financial assets and liabilities are not significantly different from their fair values.

32 Incorporation

The bank is incorporated in Ghana under the Banking Act, Act 673 and the Agricultural Development Bank Act 1965, Act 286.

33 Currency

These financial statements are presented in Ghana Cedis(GH¢)

Offices in Ghana

Head Office

37 Independence Avenue
 P. O. Box 4191, Accra
 Tel: (030) 2770403, 2762104, 2783122, 2784394
 Fax: (030) 2784893, 2770411
 E-mail: adbweb@agricbank.com
 Website: www.agricbank.com

Zonal Offices

**Retail Performance Monitoring –
 Southern Zone**
 P. O. Box DS2270
 Tel: 030 – 2302035, 2302036, 2302037
 Fax: 030 - 2312039

**Retail Performance Monitoring –
 Northern Zone**
 P. O. Box 3841, Kumasi
 Tel: 032- 2045262, 2045260, 2045265
 Tel (Legal Dept): 032- 2045268
 Tel (Corporate Banking): 032-2045273
 Tel (Estates): 032- 2045271
 Fax: 032- 2045270

Branches

Abeka La-Paz Branch
 P. O. Box 4191, Accra
 Tel: 030- 2228523, 2244649, 2244688
 Fax: 030- 2244649

Accra Makola Branch
 c/o P. O. Box 4191, Accra
 Tel: 030- 2668265, 2674308, 2675596
 Fax: 030- 2668740

Accra New Town Branch
 P. O. Box 15
 Accra New Town
 Tel: 030- 2220989, 2220986, 2220993
 Fax: 030- 2220990

Achimota Branch
 P. O. Box AT 997
 Achimota Market, Accra
 Tel: 030- 2420038, 2420036
 Fax: 030- 2420038

Adabraka Branch
 P. O. Box 452, Accra New Town
 Tel: 030- 3221047, 3242417, 3242420
 Fax: 030- 2221047

ADB House Branch
 P. O. Box 4191, Accra
 Tel: 030- 2785473, 2783730
 Fax: 030- 2783590

Agona Swedru Branch
 P. O. Box 200, Agona Swedru
 Tel: 033- 2020348, 2020522
 Fax: 033-2021683

Ashanti Bekwai Branch
 PMB, Ashanti Bekwai
 Tel: 032- 2520315, 2520351, 2520357
 Fax: 032- 2520315

Assin Fosu Branch
 P. O. Box 151, Assin Fosu
 Tel: 033-2140548, 2140542, 2140547

Atebubu Branch
 P. O. Box 18, Atebubu
 Tel: 035- 2622026, 2622066
 Fax: 035- 2622026

Bawku Branch
 P. O. 85, Bawku
 Tel: 038- 2222330, 2222298, 2222299
 Fax: 038- 2222330

Berekum Branch

P. O. Box 209, Berekum
 Tel: 035- 2222104, 2222153, 2222507
 Fax: 035- 2222104

Bolgatanga Branch

P. O. Box 159, Bolgatanga
 Tel: 038- 2022321, 2022439, 2022172,
 2022178
 Fax: 038- 2023443

Bonus Nkwanta Branch

c/o P. O. Box 3841, Kumasi

Cape Coast Branch

P. O. Box 160, Cape Coast
 Tel: 033- 2132834, 2132836, 2132563
 Fax: 033- 2132836

Cedi House Branch

PMB, Ministry Post Office, Accra
 Tel: 030- 2662745, 2662519
 Fax: 030- 2662951

Dansoman Branch

P. O. Box DS 2270
 Dansoman, Accra
 Tel: 030- 2312414, 2312415, 2318065,
 2311636
 Fax: 030- 2318064

Denu Branch

P. O. Box 31, Denu
 Tel: 036- 2530612, 2530313, 2530613,
 2531210
 Fax: 036- 2530612

Dormaa Ahenkro Branch

PMB, Dormaa Ahenkro
 Tel: 035- 2322037, 2322165
 Fax: 035- 2322251

Enchi Branch

c/o P. O. Box 3841, Kumasi
 Tel: 031 - 2622124
 Fax: 031 - 2622082

Goaso Branch

P. O. Box 72, Goaso
 Tel: 035- 2091918, 2094370, 024- 4312134

Gulf House Branch

P. O. Box 4191, Accra
 Tel: 030- 2506201, 2506202, 2506203
 Fax: 030- 2506220

Ho Branch

P. O. Box HP 1277, Ho
 Tel: 036- 2028250, 2028284, 2028289
 Fax: 036- 2028274

Hohoe Branch

P. O. Box 143, Hohoe
 Tel: 036- 2722027, 2722008
 Fax: 036- 2722951

Juapong Branch

P. O. Box 31, Juapong
 Tel: 034- 2091530, 2094299, 2094376

Kaneshie Branch

P. O. Box 11957
 Kaneshie, Accra
 Tel: 030- 2688399, 2688400, 2688411-14
 Fax: 030- 2688415

Kenyasi Branch

P. O. Box KN2, Kenyasi
 Tel: 035- 2084594

Koforidua Branch

P. O. Box 124, Koforidua
 Tel: 034- 2022292, 2022739
 Fax: 034- 2022292

Korkordzor Branch

c/o P. O. Box 11957
 Kaneshie, Accra
 Tel: 030- 2853081, 2853083, 2850428,
 2850429
 Fax: 030- 2850428

Kpando Branch

P. O. Box 10, Kpando
 Tel: 036- 2350939, 2350941, 2350942
 Fax: 036- 2350941

Kpeve Branch

c/o P. O. Box 10, Kpando

Kumasi-Adum Branch

P. O. Box 3841, Kumasi
 Tel: 032- 2039854, 2031537, 2021521,
 2024347, 2024333, 2026892
 Fax: 032- 2026215, 2031536

Kumasi-Amakom Branch

P. O. Box AH 9428, Kumasi
 Tel: 032- 2049576, 2049579, 2049575
 Fax: 032- 2049577

Kumasi-Asokwa Branch

P. O. Box AH 9428, Kumasi
 Tel: 032- 2033449, 2035461, 2035466
 Fax: 032- 2039752

Kumasi-Central Market Branch

P. O. Box R-204, Kumasi
 Tel: 032- 2033481, 2033461, 2033455,
 2033914, 2033913
 Fax: 032- 2033465

Kumasi-Prempeh II St. Branch

P. O. Box KS 8494, Kumasi
 Tel: 032- 2045263, 2045275, 2045276,
 2045277, 2045279, 2045278
 Fax: 032- 2045269

Kwapong Branch

Private Mail Bag, Kwapong
 Tel: 032- 2034795

Madina Branch

P. O. Box 4191, Accra
 Tel: 030- 2518455, 2518457
 Fax: 030- 2518456

New Edubiase Branch

P. O. Box 33, New Edubiase
 Tel: 032- 2094674

Nkawkaw Branch

P. O. Box 86, Nkawkaw
 Tel: 034 - 3122041, 3122068, 3122028,
 3122457
 Fax: 034 – 3122446

Nkoranza Branch

P. O. Box 70, Nkoranza
 Tel: 035- 2092074, 2097313

Nkwanta Branch

P. O. Box 40, Nkwanta

Nungua Branch

P. O. Box 875, TNE, Accra
 Tel: 030- 2712660, 2717078, 2717079
 Fax: 030- 2717078

Obuasi Branch

Private Mail Bag, Obuasi
 Tel: 032- 2440701, 2440700
 Fax: 032- 2440672

Osu Branch

P. O. Box 2502, Osu, Accra
 Tel: 030- 2782385, 2779696
 Fax: 030- 2782386

Ring Road Central Branch

P. O. Box 01557, Osu, Accra
 Tel: 030- 2228121, 2229110, 2239409
 Fax: 030- 2227280

Sefwi Essam Branch

c/o P. O. Box 3841, Kumasi
 Tel: 024-0813416

Sefwi Wiawso Branch

P. O. Box 108, Sefwi Wiawso
 Tel: 024-3081183, 031- 2092093/2094487

Spintex Road Branch

P. O. Box 4191, Accra
 Tel: 030- 2816212, 2816213, 2816215
 Fax: 030- 2816214

Suhum Branch

Private Mail Bag, Suhum
 Tel: 034- 2522373, 2522374
 Fax: 034-2522374

Sunyani Branch

P. O. Box 110, Sunyani
 Tel: 035-2027192, 2027075, 2023110
 Fax: 035- 2027192

Takoradi Branch

P. O. Box 600, Takoradi
 Tel: 031- 2023511, 2024810, 2026749,
 2025341, 2021522, 2023387
 Fax: 031- 2027416, 2026145

Tamale-Aboabo Branch

P. O. Box 600, Tamale
 Tel: 037- 2026242, 2023700
 Fax: 037- 2026242

Tamale-Main Branch

P. O. Box 600, Tamale
 Tel: 037- 2022629, 2022938, 2027339
 Fax: 037- 2023634

Techiman Branch

P. O. Box 16, Techiman
 Tel: 035- 2522304, 2091080, 2091686
 Fax: 035 - 2522304

Tema Branch

P. O. Box 692, Tema
 Tel: 030- 3216100, 3204305, 3203371,
 3206396
 Fax: 030- 3203372

Teshie Branch

P. O. Box TNE 875, Accra
 Tel: 030- 2712549, 2712664
 Fax: 030- 2712549

Wa Branch

P. O. Box 130, Wa
 Tel: 039- 2022095, 2022090, 2022342
 Fax: 039- 2022090

UCC Branch

P. O. Box 160, Cape Coast
 Tel: 033- 2131989, 2131806, 2137791
 Fax: 033- 2130630

Agencies & Farm Loan Offices (FLOs)

Achimota Agency

c/o P. O. Box 997
 Achimota – Accra
 Tel: 030 - 2400369

Kwashieman Agency

c/o P. O. Box 4191
 Accra
 Tel: 030- 2326726

Ashaiman Agency

c/o P. O. Box 692
 Tema
 Tel: 030 - 3300164

Techiman Agency

P. O. Box 16
 Techiman
 Tel: 035-2091312
 Fax: 035- 2522304

Buduburam Agency

c/o P. O. Box 11957, Kaneshie
 Tel: 030- 2277092, 2277109

Tema-Mankoadze Agency

P. O. Box 875, Tema
 Tel: 030-3204756

Ejura FLO

c/o P. O. Box 3841, Kumasi
 Tel: 032 - 2322042

Tumu FLO

c/o P. O. Box 130, Wa
 Tel: 039- 2022869

Krachi FLO

c/o P. O. Box 27
 Hohoe

Vakpo FLO

c/o P. O. Box 27
 Hohoe

Kwamekrom FLO

c/o P. O. Box 27
 Hohoe

Winneba Agency

c/o P. O. Box 200
 Agona Swedru

Correspondent Banks

Bank	Currency
Bankers Trust Company P. O. Box 318 Church St. Station, New York N.Y. 10008, USA	USD
BHF-Bank P. O. Box 110311, Brockenheimer Landstrasse 10 D-600 Frankfurt 1, Germany	EURO
Citibank N.A. European Trade Finance Group Cotton Centre, Hays Lane London SE1 2BX United Kingdom	USD
Citibank, N.A. 111 Wall Street, New York N.Y. 10043, USA	USD
Commerzbank AG International Bank Relations Neue Mainzer Strass 32-36 FrankfurtAM Main, Germany	EURO
Ghana International Bank 69 Cheapside Street London EC2 2BB United Kingdom	USD EURO GBP

Notes



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