CONSOLIDATED BALANCE SHEET

(All amounts are expressed in millions of cedis)

	Notes	2006	2005
Assets			
Cash and balances with Bank of Ghana	1	**463,576**	207,775
Government securities	2	**1,033,918**	858,100
Due from other banks and financial institutions	3	**825,886**	816,604
Investment in other securities	4	**89,057**	2,745
Loans and advances to customers	5	**1,622,454**	1,175,251
Investments in subsidiaries	6	-	-
Other assets	7	**176,622**	48,284
Property and equipment	8	**107,099**	86,915
Total assets		**4,318,612**	3,195,674
Liabilities			
Customer deposits	9	**3,356,372**	2,510,693
Due to other banks and financial Institutions	10	**24,415**	51,999
Tax	11	**10,603**	15,110
Interest payable and other liabilities	12	**335,156**	221,938
Long term debt	13	**155,646**	111,409
Deferred tax	11	**11,611**	7,449
Total liabilities		**3,893,803**	2,918,598
Shareholders' fund			
Stated capital	14	**164,006**	72,981
Capital surplus account	15	**13,533**	13,533
Income surplus account		**109,367**	94,380
Statutory reserve fund	16	**137,903**	96,182
		424,809	277,076
Total liabilities and shareholders' fund		**4,318,612**	3,195,674
Acceptances and guarantees	26	**547,142**	485,085

The consolidated financial statements on pages 22 to 47 were approved by the Board of Directors on 15th February 2007 and signed on its behalf by:

Director: - **Tei Mensa Mante (Board Chairman)**

Director: - **Samuel Ashitey Adjei (Managing Director)**

The accounting policies and notes on pages 26 to 47 form an integral part of these consolidated financial statements.

ACCOUNTING POLICIES (continued)

(g) Trading securities

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at cost (which includes transaction costs) and subsequently re-measured at fair value based on quoted bid prices. All related realised and unrealised gains and losses are included in net trading income. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in dividend income.

All purchases and sales of trading securities that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset.

(h) Originated loans and provisions for loan impairment

Loans originated by the Group by providing money directly to the borrower or to a sub-participation agent at draw down are categorised as loans originated by the Group and are carried at amortised cost. Third party expenses, such as legal fees, incurred in securing a loan are treated as part of the cost of the transaction.

All loans and advances are recognised when cash is advanced to borrowers.

A credit risk provision for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount.

The loan loss provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component. When a loan is uncollectable, it is written off against the related provision for impairments; subsequent recoveries are credited to the bad and doubtful debt expense in the income statement.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the bad and doubtful debt expense.

(i) Deferred income tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets are recognised only to the extent that realisation of the related tax benefit is probable.

(j) Foreign currencies

Transactions in foreign currencies during the year are converted into cedis at prevailing rates at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into cedis at the rates of exchange ruling at the balance sheet date. The resulting gains and losses are dealt with in the consolidated profit and loss account.

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

(a) Basis of accounting

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of certain property and equipment, and in accordance with Ghana Accounting Standards.

(b) Consolidation

Subsidiary undertakings, which are those companies in which the Group directly or indirectly has power to exercise control over financial and operating policies have been consolidated. Subsidiary undertakings are consolidated from the date on which effective control is transferred to the Group. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. The accounting policies for the subsidiaries are consistent with the policies adopted by the Bank.

(c) Income recognition

Income is recognised in the period in which it is earned except for dividends from trade investments which are recognised when declared. Interest income on loans that are considered doubtful are suspended and excluded from income until it is received.

(d) Government securities

Government securities comprise Treasury Bills and Bonds, which are debt securities issued by the Government of Ghana. These bills are stated at cost.

(e) Investments

In the financial statements of the Bank, Investments in subsidiary companies are stated at directors' valuation based on the net asset value of each subsidiary company at the balance sheet date. The corresponding revaluation surplus is credited to the capital surplus account.

Unquoted trade investments are stated at cost less provision for any permanent diminution in value.

(f) Property and equipment

All property and equipment are initially recorded at cost. Leasehold buildings are subsequently shown at market value based on valuation by external independent valuers less subsequent depreciation. An increase in the carrying amount arising on revaluation is credited to a capital surplus account. Decreases that offset previous increases of the same asset are charged against the capital surplus account; all other decreases are charged to the profit and loss account.

Depreciation is calculated on the straight-line method to write off the cost of property and equipment to their residual values over their estimated useful lives as follows:

Leasehold properties are depreciated on the straight-line basis over the remaining period of the lease.

Furniture and equipment	20%
Computers	33.33%
Motor vehicle	25%

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(All amounts are expressed in millions of cedis)

		Year ended 31 December	
	Notes	**2006**	2005
Interest income	17	**456,874**	348,631
Interest expense	18	**(139,628)**	(100,733)
Net interest income		**317,246**	247,898
Fee and commission income	19	**173,038**	146,036
Other operating income	20	**1,924**	2,519
Operating income		**492,208**	396,453
Operating expenses	21	**(248,368)**	(190,899)
Charge for credit losses	5	**(3,234)**	(16,327)
Operating profit		**240,606**	189,227
Other expenses		**(617)**	(2,437)
Profit before tax		**239,989**	186,790
National reconstruction levy	22	**(12,894)**	(13,484)
		227,095	173,306
Tax	11	**(61,793)**	(53,661)
Profit after tax transferred to income surplus account		**165,302**	119,645
INCOME SURPLUS ACCOUNT			
Balance at 1 January		**94,380**	84,882
Net profit for the year		**165,302**	119,645
		259,682	204,527
Transfer to stated capital and related expenses		**-**	(5,755)
Transfer to statutory reserve fund		**(41,721)**	(28,620)
Dividend proposed	24	**(108,594)**	(75,772)
Balance at 31 December		**109,367**	94,380

The accounting policies and notes on pages 26 to 47 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(All amounts are expressed in millions of cedis)

	Notes	2006	2005
		Year ended 31 December	
Cash flows from operating activities			
Interest receipts		**448,963**	340,618
Interest payments		**(129,734)**	(88,464)
Fee and commission receipts		**173,038**	146,036
Cash payment to employees and suppliers		**(239,409)**	(189,105)
Income tax paid	11	**(62,138)**	(47,822)
Cash flows from operating activities before changes in operating assets and liabilities		**190,720**	161,263
Changes in operating assets and liabilities			
- loans and advances		**(450,436)**	(490,259)
- other assets		**(120,427)**	(2,264)
- customer deposits		**845,679**	572,018
- other liabilities		**70,501**	18,135
Net cash generated from operating activities		**345,317**	97,630
Cash flow from investing activities			
(Purchase of)/proceeds from sale of investment securities		**(39,756)**	42,056
Purchase of property and equipment	8	**(40,882)**	(32,543)
Proceeds from sale of property and equipment	8	**152**	161
Net cash generated from investing activities		**(80,486)**	9,674
Cash flows from financing activities			
Dividend paid	24	**(75,772)**	(24,580)
Long term debt	13	**44,237**	53,850
Proceeds from issuance of share capital		**91,025**	
Net cash generated from financing activities		**59,490**	29,270
Net change in cash and cash equivalents		**515,041**	297,837
Cash and cash equivalents at 1 January		**1,783,924**	1,486,087
Cash and cash equivalents at 31 December	31	**2,298,965**	1,783,924

The accounting policies and notes on pages 26 to 47 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in millions of cedis)

	Stated capital	Capital surplus	Income surplus reserve fund	Statutory	Total
2006					
Balance at 1 January 2006	72,981	13,533	94,380	96,182	**277,076**
Net profit for the year	-	-	165,302	-	**165,302**
Transfer to statutory reserve	-	-	(41,721)	41,721	-
Capitalisation issuance	91,025	-	-	-	**91,025**
Dividend proposed	-	-	(108,594)	-	**(108,594)**
	164,006	**13,533**	**109,367**	**137,663**	**424,809**
2005					
Balance at 1 January 2005	70,000	16,514	84,882	67,562	**238,958**
Net profit for the year	-	-	119,645	-	**119,645**
Transfer to statutory reserve	-	-	(28,620)	28,620	-
Transfer to stated capital and related expenses	2,981	(2,981)	(5,755)	-	**(5,755)**
Dividend proposed	-	-	(75,772)	-	**(75,772)**
	72,981	**13,533**	**94,380**	**96,182**	**277,076**

The accounting policies and notes on pages 26 to 47 form an integral part of these consolidated financial statements.