

Annual Report

2011



CONTENTS

Notice of Annual General Meeting	2
Five Year Financial Summary	3
Board of Directors, Officials and Registered Office.	4
Profile of Board of Directors	5
Chairman's Report	6
Managing Director's Report	8
Report of the Directors	11
Report of the Auditors	14
Consolidated Income Statement	16
Consolidated Statement of Comprehensive Income	17
Consolidated Statement of Financial Position	18
Consolidated Statement of Changes in Equity	19
Consolidated Statement of Cash Flows	20
Notes to the Consolidated Financial Statements	21
Notes on Resolutions to be Passed	64
Proxy Form	67

NOTICE OF ANNUAL GENERAL MEETING OF CAL BANK LIMITED TO BE HELD ON THURSDAY, 24 MAY 2012 AT THE GHANA COLLEGE OF PHYSICIANS AND SURGEONS, RIDGE, ACCRA

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CAL Bank Limited will be held at 10 a.m. on Thursday, 24 May 2012 at the Conference Auditorium of the Ghana College of Physicians and Surgeons, Ridge, Accra to transact the following business:

AGENDA

1. To receive and consider the Reports of the Directors and the Auditors, and the Accounts of the Company for the year ended December 31, 2011
2. To declare a final dividend for the year ended December 31, 2011
3. To authorise the Directors to fix the fees of the Auditors
4. To re-elect retiring Directors
5. To increase the number of Directors to ten (10)
6. To approve the appointment of a new Director
7. To approve directors' remuneration
8. To approve the purchase of shares of the Company

Dated this 26th day of April 2012

BY ORDER OF THE BOARD

DEHANDS SERVICES LIMITED COMPANY SECRETARY

A member entitled to attend and vote at the Annual General Meeting may appoint a proxy to attend and vote on his/her behalf. Such a proxy need not be a member of the Company.

The appointment of a proxy will not prevent a member from subsequently attending and voting at the Meeting in person. Where a member attends the Meeting in person, the proxy appointment shall be deemed to be revoked.

A copy of the Form of Proxy may be deposited at the registered office of the Registrar of the Company, Computershare Pan Africa Ghana Limited, 23 Eleventh Lane, Osu R.E., Accra, Ghana, or posted to the Registrar at P.O. Box CT2215 Cantonments, Accra, to arrive not later than 10 a.m. on Tuesday, 22 May 2012.

FIVE YEAR CONSOLIDATED FINANCIAL SUMMARY

in thousands of Ghana Cedis

	2011	2010	2009	2008	2007
Interest Income	75,814	69,750	64,256	38,113	24,401
Interest Expense	(34,420)	(32,675)	(41,621)	(21,682)	(12,362)
Net Interest Income	41,394	37,075	22,635	16,431	12,039
Commissions and fees	14,646	9,288	6,534	6,185	3,957
Other Operating Income	14,904	7,450	10,087	11,943	7,191
Operating Income	70,944	53,813	39,256	34,559	23,187
Total Operating Expenses	(36,135)	(28,328)	(25,450)	(21,177)	(14,646)
Impairment Charge on Financial Assets	(11,465)	(12,849)	(3,476)	(2,186)	(1,646)
Operating Profit	23,344	12,636	10,330	11,196	6,895
Other Income	8	(38)	185	303	221
Profit before income tax	23,352	12,598	10,515	11,499	7,116
Income Tax Expenses	(5,187)	(2,502)	(1,949)	(2,431)	(1,912)
National Fiscal Stabilization levy	(1,260)	(630)	(263)	-	-
Profit after Taxation	16,905	9,466	8,303	9,068	5,204
Total assets	809,364	509,992	452,812	338,902	235,727
Total Deposits	611,719	296,625	277,602	176,660	124,326
Loans and Advances	411,582	256,634	214,715	190,938	114,918
Total Shareholders' Equity	88,353	78,778	58,424	37,428	31,107
Earnings per share (Ghana Cedis per share)	0.0681	0.0392	0.0441	0.5350	0.0325
Dividends per share (Ghana Cedis per share)	0.0260	0.0130	0.0120	0.0145	0.0105
Number of Shares ('000)	248,262	246,103	238,803	167,211	163,939
Return on Assets	2.1%	1.9%	1.8%	2.7%	2.2%
Return on Equity	19.1%	12.0%	14.2%	24.5%	16.7%
Capital Adequacy Ratio	11.6%	16.1%	15.5%	12.1%	15.3%
Cost-to-Income Ratio	50.9%	52.7%	64.5%	60.7%	62.6%

CAL BANK LIMITED
BOARD OF DIRECTORS, OFFICIALS AND REGISTERED OFFICE

BOARD OF DIRECTORS

Paarock Asuman VanPercy (Chairman)
Frank Brako Adu Jnr. (Managing Director)
Malcolm Dermott Pryor
James Chamberlain Brenner
Leonora Awua-Kyerematen
Dr. Kobina Quansah
Philip Owiredu (Appointed: 31/03/11)
Ernest Kakra Essamuah (Appointed: 31/03/11)
Joel Hyde (Deceased: 17/10/11)

SECRETARY

Dehands Services Limited
4 Liberation Road
P.O.Box GP 453
Accra

SOLICITORS

Reindorf Chambers
61 Jones Nelson Road
Adabraka
P. O. Box 821
Accra
Ghana

AUDITORS

Deloitte & Touche
4 Liberation Road
P. O. Box GP 453
Accra
Ghana

REGISTERED OFFICE

23 Independence Avenue
P. O. Box 14596
Accra
Ghana

REGISTRAR

Computershare Pan Africa Ghana Limited
23 Eleventh Lane
Osu R.E.
P. O. Box CT 2215
Cantonments
Accra
Ghana

BOARD OF DIRECTORS



Chairman

Mr. Paarock A. VanPercy
Mr. VanPercy is the Director General of National Communications Authority and has worked as an investment banker for close to twenty years. He is a Chartered Accountant by training and is a Fellow of the Institute of Chartered Accountants in England & Wales. He is the Chairman of CAL Asset Management Company Limited, and holds directorships on the Boards of Ghana Leasing Company Limited, the Liberian Bank for Development and Investment and AfriHoldings Limited, a Mauritius-based company.



Managing Director

Mr. Frank B. Adu Jnr.
Mr. Frank Adu Jnr. is an Investment Banker and the Managing Director of the Bank. He is the Chairman of the GSE Securities Depository Company, the Roman Ridge School, Golden Beach Hotels Group (La Palm Beach Hotel, Elmina Beach Resort and Busua Beach Resort). He is a member of the Board of Okyeman Environmental Foundation and the University College of Agriculture and Environment.



Executive Director

Mr. Philip Owiredu
Mr. Owiredu is the Executive Director of CAL Bank. He joined the Bank as the Financial Controller in December 2004 and rose to the position of Executive Director of the Bank in 2011. He oversees the financial and administrative management of the Bank and ensures its adherence to regulatory and statutory requirements. Mr. Owiredu joined the Bank from KPMG where he left as a Senior Manager after eight years of service. He is a chartered certified accountant by profession.



Member

Mrs. L. Awua-Kyerematen
Mrs. Leonora Awua-Kyerematen is a member of the Ghana Bar Association and the International Federation of Women Lawyers (FIDA). She is an executive member of the Christian Council of Ghana. She is also a Board member of the Christian Community Mutual Fund.



Member

Mr. James C. Brenner
Mr. Brenner is the President and CEO of Broad Cove Partners, and a Director of Ghana Home Loans Limited and is a member and founding Chairman of the Board of the Overseas Vote Foundation.



Member

Mr. Malcolm D. Pryor
Mr. Pryor has worked as an Investment Banker for thirty four years. He began his career as an Institutional Fixed Income Salesman with Goldman Sachs & Co. He was Chief Executive Officer of Pryor, Counts & Co., Inc for twenty four years. For the past four years he has been Chief Executive of a Private Equity Fund investing in the southern Africa region (SAEDF). He has been a principal investor in Western and Central Africa since 1987 principally in the financial services sector; as a founding shareholder of CAL Bank, the African Export Import Bank and Ghana Home Loans as well as a founding shareholder of the Merchant Bank of East Africa. He has been a member of the New York Cocoa and Coffee Exchange and the Philadelphia Stock Exchange as a market maker in equity options. He has served on the Board of Directors of both listed and unlisted Company's in Retailing, Health Care, Hospitality, Insurance and Engineering services. He was recently recognized as a leader in the area of Africa Investing by the Wharton School of the University of Pennsylvania.



Member

Mr. Ernest K. Essamuah
Mr. Essamuah, a qualified solicitor and barrister, was admitted to the Ghana Bar in October 1992 after studying at the University of Ghana and qualifying from the Ghana Law School. He practised at da Rocha Chambers from 1992 to 2000 and is currently in private legal practice.



Member

Dr. Kobina Quansah
Dr. Kobina Quansah, a banker by profession, is the Chairman of Vodafone Ghana as well as Core Nett. He is a director of Unique Insurance Limited and Pioneer Aluminium Kitchenware Limited. He is a member of the Advisory Council of Newmont Ghana Gold Limited as well as a member of the Executive Council of Finatrade Foundation.



Mr. Jojo Acquah
Company Secretary
Dehands Services Ltd.

CHAIRMAN'S REPORT



Introduction

Fellow shareholders, I am happy to welcome you to the Annual General Meeting (AGM) for the year ended 31st December 2011. Although the year was quite remarkable with your Bank achieving significant growth in size and profitability, it was also marked with the unfortunate demise of one of your directors, Mr. Joel Hyde. May he rest in perfect peace.

We have had to hold this year's AGM at a later date than usual to enable the Bank conclude the process of raising the additional capital as mandated by your good selves. I am now able and glad to announce that we have been through a successful capital raising exercise and increased the stated capital of the Bank to GH¢100 million, thereby exceeding the minimum capitalization threshold of GH¢60 million as required by the Bank of Ghana, and also well ahead of the 31st December 2012 deadline.

Economic Review

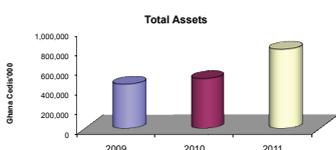
The country continued to experience sound and stable economic fundamentals throughout the year and also realized significant growth. The economy recorded a real GDP growth of 14.4%. This was achieved on the back of the benefits of full year oil production, increases in the prices of commodities and prudent fiscal management of the economy.

Inflation was maintained at a relatively low rate and ended the year at 8.58% compared to the previous year of 9.08%, with the Bank of Ghana Policy Rate falling from 13.5% in 2010 to 12.5% by December 2011. The 91 day benchmark treasury bill rate also mirrored this downward trend and closed the year at 10.67%, compared to 12.25% of the previous year.

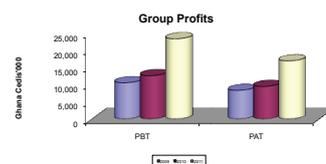
The first quarter of 2012 has seen some marginal decline in some of the economic indicators. That notwithstanding, the economy continues to hold promise due to the prudent macroeconomic policies of the Government.

Financial Review

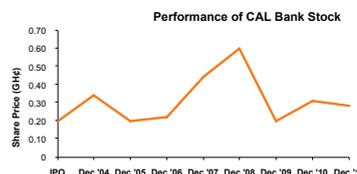
The financial performance for the year under review is impressive with the Bank reporting a profit after tax of GH¢18.3 million, an increase of 108% over the prior year's profit of GH¢8.8 million. The group however recorded a profit after tax of GH¢16.9 million, as a result of a write down in the investment held in the associated company, representing an increase of 79% compared to the prior year profit after tax of GH¢9.5 million.



We continue to improve upon our operating efficiency and recorded a cost to income ratio of 50.9% compared to the previous year's ratio of 52.6%.



The group's total assets increased by 59% from GH¢510 million to GH¢809 million, there was however a diminution in the price of the stock from GH¢0.31 at the end of the previous year to GH¢0.25 at the year end; it is our expectation that having completed the capital raising the stock should realize its true value.



Dividends

Your Board is recommending a dividend of GH¢0.026 per share, an increase of a 100% over the previous year's dividend of GH¢0.013 per share. This is an appreciable increase being mindful of the need to retain profits for further growth of your Bank.

Corporate Governance

Your Board continues to enhance its governance practices and ensures adherence to good corporate governance procedures and practices, the maintenance of good internal control procedures, strict adherence to rules and regulations, conforming to legal requirements through scheduled meetings of the Board and other committees. Your Board has adopted a Board Charter that provides a clear framework for directors to execute our duties and also serving as a benchmark in evaluating performance in accordance with best practice.

Directorship

As indicated earlier we lost one of our members, Mr. Joel Hyde on 17th October 2011, we will greatly remember his dedicated service and contribution to the growth and development of the Bank over the short period that we worked with him, we extend our condolences to his family and loved ones.

In accordance with the regulations of the Bank and the Companies Code, Mrs. L. Awua-Kyerematen and Mr. Jim Brenner are due for retirement and do offer themselves for re-election.

Your Board is also recommending Mr. Eduardo Gutierrez, a Chartered accountant by profession to join the Board. As we enter new territories with our increased capitalization the Bank will benefit from the knowledge and experience of the proposed directors in helping steer the growth and strength of your Bank.

Capitalization

As indicated in my introduction, at the Annual General Meeting of the Bank held on March 31, 2011, shareholders approved an increase in the stated capital of the Bank of up to GH¢100 million to enable the Bank meet the new Bank of Ghana minimum capital requirement and to take advantage of increased investment opportunities.

This mandate has successfully been carried out by your board and management of the Bank and we are pleased to inform you of an increase in our stated capital to GH¢100 million from existing shareholders and from new shareholders. Your new shareholders are ADP1, a private equity fund out of Mauritius and Proparco, a Developmental Financial Institution and the private investment arm of the French Government, who have also been partners to the Bank over the past 20 years. I would ask you to join me in welcoming our new shareholders and also show our appreciation to our largest shareholder SSNIT for their continued support of the Bank.

The Year Ahead

In the year 2011 the Ghanaian economy realized significant growth, and is expected that this growth will continue this year, with your Bank well positioned to deepen its presence in the various sectors of the economy and with our strategy of widening our footprint, enhancing our technological platform and delivering utmost quality service we are poised to put your Bank on a higher pedestal and deliver enhanced stakeholder value.

Acknowledgement

On behalf of my colleague Directors, Management and Staff of the Bank, I wish to thank all shareholders for continuing to keep faith with the Bank. We on our part shall continue to deliver on our mandate to return value for your investment. And to our cherished customers whose insistence on quality service ensures that we keep abreast with market trends and demands, we shall continue to delight you with service so you can continue to bank on our service.

To Management and Staff of the Bank who have given us results which have enhanced our dividend receipts we say a big thank you, and ask that you keep up the good work to maintain this sterling performance.

Finally, I would like to warmly welcome our new shareholders. Welcome to the CAL Bank family.

Thank you.

Paarock A. VanPercy

MANAGING DIRECTOR'S REPORT

"Your legacy should be that you made it better than it was when you got it."

Lee Iacocca – Chairman and CEO, Chrysler Corporation



Introduction

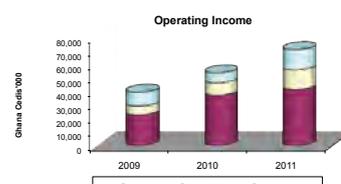
Although there was a high level of expectation of an improvement in the global financial fortunes at the beginning of 2011, the economic challenges of Europe especially Greece and Portugal and the stagnation in the US economy continued to dampen global economic growth. In spite of the developments the local economy maintained its generally strong fundamentals achieving a growth rate of 14.4%, with oil production contributing to this.

However since the beginning of 2012 we have experienced a decline in some of the economic factors, the significant one being the exchange rate. We believe the Bank of Ghana has the skills, instruments and resources to effectively manage the situation.

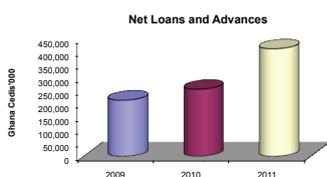
Ladies and Gentlemen, it is my pleasure to present to you an overview of our activities in 2011 as it marks the year in which we have delivered a most sterling performance. It is management's belief that this performance will continue into 2012 and beyond.

Financial Performance

The Bank reported an annual operating profit before tax of GH¢24.6 million and a profit after tax of GH¢18.3 million compared to GH¢11.7 million and GH¢8.8 million respectively in the previous year. These represent increases of 111% and 108% respectively. The group's profitability was however marginally lower than the bank's as a result of the diminution in value of our associated company that had to be recognized.



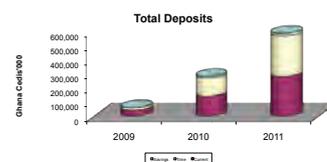
The group realized a significant increase in net operating income of 45% from GH¢41.0 million to GH¢59.5 million, arising out of an increase in our net interest income of 12%, and an increase in non funded income of 77%.



In parallel we had to take a significant impairment charge to fully recognize the challenges in the retail legacy loans; we are still in pursuit of these defaulters and the recovery process, though slow continues unabated with vigour.

Total assets size of the group increased from GH¢510 million in 2010 to GH¢809 million in 2011, representing an increase of 59%. Growth in total assets resulted from a 32% growth in investment in government securities and a 60% increase in loans and advances.

These were funded by growth in our deposits base of 106% which increased from GH¢296 million to GH¢612 million at the end of 2011. Although we took additional medium term loan facilities of US\$22 million from GIB and Proparco, our total borrowing reduced from GH¢109 million at the end of 2010 to GH¢93 million at the end of the year under review as a result of scheduled repayments of some of the borrowings.



Shareholders equity also realized an increase of 12% arising from profit retention.

Operational Performance

Our strengths built over the years in the corporate banking, corporate finance and treasury, as well as long term relationships built and nurtured with corporates in the key sectors of the economy, impacted significantly on our financial performance.

Significant amongst the sectors that relationships were deepened included the downstream oil sector that has been deregulated thereby opening up a lot of opportunities to the banking sector. Relationships were also enhanced with the mining, telecom, manufacturing and the real estate sectors, opening up a lot of opportunities for us to grow our loan portfolio and enhance our deposit mobilization.

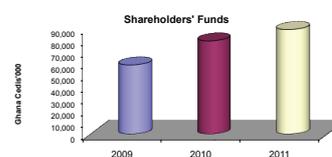
An additional branch situated and known as the Ring Road Central Branch was added to the branch network bringing the total number of branches to eighteen. We continue to implement our retail strategy through the branches. Further to the capitalization we intend to increase the Branch network further.

As part of the measures to improve our performance, diversify the income stream of the Bank and take advantage of new opportunities, the Bank has commenced the provision of custody services, a service required under the new pensions act, we intend to develop this and make it a service of choice earning appreciable income for the Bank.

Capitalisation

At the Annual General Meeting of the Bank held on March 31, 2011, the following resolution was passed by shareholders, "That the Directors be and hereby authorised pursuant to Section 202 (1) of the Companies Act in addition to rights issues if necessary to exercise all the powers of the company, to allot and issue ordinary shares of the company to increase the stated capital up to GH¢100 million to identified investors as the Directors have and may determine to enable the Bank meet the new Bank of Ghana minimum capital requirements and take advantage of these investment opportunities, without recourse to the requirements of sub-paragraph (b) of the said section 202 (1)".

In September 2011 your Board initiated a private placement process based on the mandate given by shareholders and I am glad to announce to you that we have successfully raised the capital resulting in your Bank exceeding the minimum statutory capital requirement of GH¢60 million as set by the Bank of Ghana. Your Bank is now well capitalised and well position to take full advantage of the various opportunities within the market place.



There were three main contributors to the GH¢75 million which was raised. SSNIT as an existing shareholder invested GH¢24.9 million to maintain their shareholding of 33.18%. The rest was raised principally from two new shareholders. Your new shareholders are ADP1, a private equity fund out of Mauritius that has a total funds under management of €US\$270 million, who invested GH¢ 39.7 million taking up a shareholding of 28.97%. Proparco, a Developmental Financial Institution and the private investment arm of the French Government, who has been partners to the Bank over a long period, also invested GH¢9.4 million resulting in a shareholding of 6.86%. I would ask you to join me in welcoming our new shareholders and also show our appreciation to our largest shareholder SSNIT for their continued support to the Bank.

Social Responsibility

Our support to the needy and destitute in society continues to remain the hallmark of the Bank's corporate social responsibility; this was fulfilled by providing educational support to children in various homes and making donations to other organisations amounting GH¢ 140,000 during the year.

Organisations that benefited from our corporate social responsibility activities included the Ghana Blind Union, Golden Hearts Trust and the University of Ghana.

We also continue to meet the educational needs of a number of hitherto destitute children and offer them hope. A number of such children have graduated from tertiary institutions and some have been given jobs at the Bank.

Subsidiaries

The subsidiaries continue to remain an important part of the group's operations contributing about 3% of the total assets of the group. The brokerage company currently is one of the top trading companies on the GSE and has the most sophisticated trading platform. The Asset Management Company at the end of the year had funds under management totaling GH¢115 million an increase of 105% compared to the prior year's figure of GH¢56 million.

Our associated Company however is challenged and therefore out of prudence, we wrote down that investment in our books significantly accounting for the difference in the Group's profitability and the Bank profitability.

Conclusion

2011, represented a year of numerous events, occurrences and merits. At the international level, the world witnessed a stagnant US economy, the debt ceiling challenges accompanied by significant unemployment. Interest rates on the dollar and other convertible currencies crashed, yet there was a lack of investor confidence in the capital markets. We experienced and continue to experience this lack of investor confidence in the capital markets across Africa including Ghana.

Several governments around the globe were challenged and we saw more and more poisonous politics across the US and Europe. Both America and Europe threatened "double-dip" recession.

Earlier on in the year North Africa was not spared as the world witnessed the amazing power of the people with its genesis in Tunisia, spreading across North Africa to the not so violent removal of Mubarak, and the regrettable but avoidable violent removal of Gadaffi and now the ongoing disturbance in Syria, Yemen and others. The now famed "Arab Spring" is a phenomenon to be contended with and has far reaching implications globally.

The Japanese earthquake and China's dominant and sometimes destabilizing role in the global economy were also thematic and poignant. Closer to home, terrorist activities in neighbouring countries and its impact on foreign direct investments, international funds flow and the Banking sector will present challenges and opportunities.

Global trade imbalances, high and volatile food and commodity prices, and a slowing of developing market economies underlined by threatening high inflation also characterized 2011.

All in all, 2011 was a difficult year globally but also presented opportunities. We will take advantage of the opportunities in 2012, whilst mindful of the difficulties and challenges of an election year, particularly its effects on macro economic indicators.

Fellow shareholders, Board and colleague management and staff, thank you for your support through the year.

To the clients and customers of the Bank, thank you for your business and custom. Our promise is to continue to serve you better; count on our SERVICE.

Thank you.

Frank Brako Adu Jnr.

REPORT OF THE DIRECTORS

The Board of Directors has the pleasure to submit this report of the company for the year ended 31st December 2011.

Statement of Directors Responsibilities

The directors are responsible for the preparation of the consolidated financial statements for the financial year, which give a true and fair view of the state of affairs of the group, the consolidated income statement and consolidated cash flows for the year. In preparing these consolidated financial statements, the directors have selected and applied consistently suitable accounting policies, made judgments and estimates that are reasonable and prudent and followed International Financial Reporting Standards. The directors have made an assessment of the group's ability to continue as a going concern and have no reason to believe the group will not be a going concern in the year ahead.

Financial Statement

GH¢'000

Profit for the year ended 31st December 2011 before taxation is	23,352
from which is deducted taxation of	(6,447)
giving a profit for the year after taxation of	16,905
to which is added balance on Retained Earnings brought forward (excluding amounts transferred to Regulatory Reserves) of	7,832
leaving a balance of	24,737
Less: Transfer to Regulatory Reserves	(4,310)
giving a cumulative amount available for distribution of	20,427
less dividend paid of GH¢0.013 per share amounting to	(3,194)
leaving a balance on Retained Earnings carried forward of	17,233

Nature of Business

The nature of business of the company is as follows:

- To carry on the business of banking;
- To carry on the business of underwriters of securities, finance house and issuing house;
- To undertake corporate finance operations, loan syndications and securities portfolio management;
- To engage in counseling and negotiation in acquisitions and mergers of companies and undertakings;
- To engage in the business of acceptance of bills of exchange, dealing in bullion, export trade development and financing;
- To carry on the business of hire-purchase financing and the business of financing the operations of leasing companies; and
- To engage in the counseling and financing of industrial, agricultural, mining, service and commercial ventures, subject to the relevant rules and regulations for the time being in force on that behalf.

Substantial Shareholders

Details of the Bank's twenty largest shareholders are disclosed in Note 37 of the Annual Report

Retirement and Re-Election of Board members

The following board members will be retiring in compliance with Section 298(a) of the Companies Code, 1963, (Act 179) and regulation 78(a) of the regulations of the company. They are Mrs. L Awua-Kyerematen and Mr. James C. Brenner, being eligible, have offered themselves for re-election.

Election of Board Member

At the meeting of the board of directors held on 18th April 2012, Mr. Eduardo Gutierrez was nominated for appointment as a director for approval by the shareholders. His profile appears below.

Mr. Eduardo Gutierrez joined Development Partners International, a London-based, private equity fund in September 2008 with 12 years of African private equity experience, having previously been an Executive Director of Brait South Africa Limited and Brait Private Equity. Brait is one of South Africa's leading private equity firms with a strong investment track record.

Prior to Brait, Eduardo was a Corporate Finance Manager at JCI Limited, a large South African-based mining house. He advised the executive committee on various corporate finance and business development matters. A qualified chartered accountant, Eduardo trained at KPMG in South Africa, where he worked on and managed statutory audits of a number of companies across various industries before becoming a Senior Consultant in the Forensic & Investigative Accounting Group. Eduardo holds a B.Sc. (Med.) (Majors in Biochemistry and Physiology) and B.Sc. (Med.) Honours (Medical Biochemistry) from Cape Town University (1988 and 1989, respectively).

Subsidiaries

CAL Brokers Limited, a company incorporated in Ghana as a securities broker and a licensed dealing member of the Ghana Stock Exchange.

CAL Asset Management Company Limited, licensed to manage assets by the Securities and Exchange Commission.

CAL Bank Nominees Limited, incorporated in Ghana to hold and administer securities and other assets as a custodian (registered owner) on behalf of beneficial owners.

Associated Undertakings

Ghana Leasing Company Limited (a non-banking financial institution) and Transaction Management Services Limited (in liquidation) both incorporated in Ghana are associated undertakings of the Bank.

Committees of the Board

To strengthen its corporate governance, the board has the Audit, Compensation and Risk Management Committees with the following membership:

Audit Committee

Dr Kobina Quansah (**Chair**)
Leonora Awua-Kyeremanten
Paarock VanPercy
Ernest Kakra Essamuah

The Audit Committee which is made up of the non-executive directors, performs the following functions:

- nominate the accounting firm to conduct the annual audit
- discuss with the internal auditor the scope of the examinations
- discuss with the internal auditor special areas of concern
- advise on review of compliance with company policies
- advise on the efficiency studies of selected activities
- review the auditors report with the auditor on completion

Compensation Committee

Leonora Awua-Kyerematen **(Chair)**
Paarock Van Percy
Kobina Quansah
Frank B. Adu Jnr. (ex-officio)

The objectives of the Compensation Committee are to review compensation and make recommendations to the board for their consideration and approval.

Risk Management Committee

Paarock Van Percy **(Chair)**
Leonora Awua-Kyerematen
Kobina Quansah
Malcolm D. Pryor
Frank B. Adu Jnr.

The Risk Management Committee which is made up of the non-executive directors, performs the following functions:

- monitor the execution of the Board's risk strategy for different business and geographic markets of operation.
- monitor the effectiveness of the risk management organisational structure
- advise management on the adoption and implementation of an appropriate risk management policy
- keep under review the status and application of risk management responsibilities and accountabilities
- review and monitor any requirement for reporting on risk management to the Board

Dividend

The directors recommend the payment of a dividend of GH¢0.026 per share to be paid to members.

Auditors

In accordance with Section 134(5) of the Companies Act 1963, (Act 179) Deloitte & Touche will be in office as auditors of the Group.

Acknowledgement

The board of directors hereby expresses its sincere appreciation for the support, loyalty and dedicated service of the staff, management and all stakeholders of the Bank over the past year.

BY ORDER OF THE BOARD

Director

Dated 27th March 2012

Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAL BANK LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of CAL Bank Limited on pages 16 to 63 which comprise the consolidated financial position as at 31 December, 2011, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows 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 Companies Act 1963, (Act 179). This responsibility includes: designing, implementing and maintaining internal control 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. Those 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 judgment, 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 control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 given in the prescribed manner, information required by the Companies Act 1963, (Act 179), the Banking Act 2004 (Act 673) as amended by the Banking (Amendment) Act of 2007 (Act 738). The financial statements give a true and fair view of the financial position of the Bank as at 31 December 2011, 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 (IFRS).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAL BANK LIMITED

Report on Other Legal and Regulatory Requirements (cont'd)

The Ghana Companies Act, 1963 (Act 179) 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 and its Subsidiaries, so far as appears from our examination of those books, and
- iii. The Consolidated Financial Position and Consolidated Income Statement of the Bank and its Subsidiaries 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 Bank's transactions are within its powers and
- iv. The Bank has complied with the provisions of Act 673 and the Banking (Amendment) Act of 2007.

Chartered Accountants
4 Liberation Road
Accra, Ghana

27th March, 2012

CAL BANK LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2011

in thousands of Ghana Cedis

	Note	The Bank		The Group	
		2011	2010	2011	2010
Interest Income	8	75,138	69,635	75,814	69,750
Interest Expense	8	(34,477)	(32,800)	(34,420)	(32,675)
Net Interest Income		40,661	36,835	41,394	37,075
Fees and Commissions Income	9	15,193	9,984	15,193	9,981
Fees and Commissions Expense	9	(534)	(684)	(547)	(693)
Net Fees and Commissions		14,659	9,300	14,646	9,288
Net Trading Income	10	10,445	4,414	10,545	4,833
Other Operating Income	11	3,946	1,304	4,359	2,617
		14,391	5,718	14,904	7,450
Operating Income		69,711	51,853	70,944	53,813
Impairment Charge on Financial Assets	20	(11,465)	(12,849)	(11,465)	(12,849)
Net Operating Income		58,246	39,004	59,479	40,964
Staff Costs	12	(16,380)	(12,269)	(17,003)	(12,782)
Administration and General Expenses	13	(14,817)	(13,100)	(16,494)	(13,385)
Depreciation and Amortisation	27, 28	(2,473)	(1,998)	(2,638)	(2,161)
Total Operating Expenses		(33,670)	(27,367)	(36,135)	(28,328)
Operating Profit		24,576	11,637	23,344	12,636
Share of Post-tax Loss of Associated Company	22	-	-	-	(61)
Profit From Disposal of Non-Current Assets	27	8	23	8	23
Profit Before Income Tax		24,584	11,660	23,352	12,598
Income Tax Expense	25	(5,017)	(2,267)	(5,187)	(2,502)
National Fiscal Stabilization levy	25	(1,229)	(583)	(1,260)	(630)
PROFIT FOR THE YEAR		18,338	8,810	16,905	9,466
Earnings per share (Ghana Cedis per share)	14				
- Basic		0.0739	0.0365	0.0681	0.0392
- Diluted		0.0739	0.0365	0.0681	0.0392

CAL BANK LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2011

in thousands of Ghana Cedis

	The Bank		The Group	
	2011	2010	2011	2010
Profit for the Year	18,338	8,810	16,905	9,466
Other Comprehensive Income				
Available-For-Sale Financial Assets	648	455	648	455
Net Change In Revaluation Surplus	10	10,986	10	10,986
Other Comprehensive Income For The Year	658	11,441	658	11,441
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	18,996	20,251	17,563	20,907

CAL BANK LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2011

in thousands of Ghana Cedis

	Note	The Bank		The Group	
		2011	2010	2011	2010
Assets					
Cash and Balances with Bank of Ghana	15	67,659	37,786	67,659	37,786
Items in Course of Collection from Other Banks	17	12,431	7,645	12,431	7,645
Investment in Government Securities	18	154,349	117,544	154,880	117,668
Due from Banks and Other Financial Institutions	19	99,172	43,309	122,522	51,225
Loans and Advances to Customers	20	412,565	256,634	411,582	256,634
Investment in Other Securities	21	-	86	768	1,677
Investment in Associated Company	22	-	407	-	1,160
Investment in Subsidiaries	23	1,118	718	-	-
Other Assets	24	7,178	7,938	7,911	8,333
Deferred Tax Assets	26	2,167	-	2,167	-
Property, Plant and Equipment	27	28,762	27,351	28,779	27,379
Intangible Assets	28	662	333	665	485
Total Assets		786,063	499,751	809,364	509,992
Liabilities					
Customer Deposits	29	564,396	275,543	586,770	282,556
Due to Banks and Other Financial Institutions	30	20,449	13,937	24,949	14,069
Borrowings	31	92,652	109,010	92,652	109,010
Accruals and Other Liabilities	32	15,434	22,803	16,423	23,515
Current Tax Liabilities	25	211	1,559	216	1,684
Deferred Tax Liabilities	26	-	380	-	380
Total Liabilities		693,142	423,232	721,010	431,214
Shareholders' Equity					
Stated Capital	33	27,725	27,120	27,725	27,120
Statutory Reserve Fund	33	18,442	13,858	18,442	13,858
Capital Surplus	33	15,372	15,362	9,836	15,224
Retained Earnings	33	16,264	5,435	17,233	7,832
Other Reserves	33	15,118	14,744	15,118	14,744
Total Shareholders' Equity		92,921	76,519	88,354	78,778
Total Liabilities and Shareholders' Equity		786,063	499,751	809,364	509,992
Net Assets Value per Share (Ghana Cedi per Share)		0.3743	0.3109	0.3559	0.3201

Director

Director

The Directors approved the financial statements on 27th March 2012

CAL BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2011

in thousands of Ghana Cedis

Attributable to Equity Holders

The Bank	Stated Capital	Statutory Reserve	Capital Surplus	Retained Earnings	Other Reserves			Total Equity
					Share Options Reserve	Fair Value Reserves	Regulatory Credit Risk Reserve	
Balance at 1 January 2010	25,000	11,656	4,376	5,945	467	(345)	9,915	57,014
Net proceeds from issue of shares	2,120	-	-	-	-	-	-	2,120
Transfer to/from reserves	-	2,202	-	(6,454)	(467)	-	4,719	-
Dividends paid to equity holders	-	-	-	(2,866)	-	-	-	(2,866)
Total comprehensive income for the year	-	-	10,986	8,810	-	455	-	20,251
Balance at 31 December 2010	27,120	13,858	15,362	5,435	-	110	14,634	76,519

Balance at 1 January 2011	27,120	13,858	15,362	5,435	-	110	14,634	76,519
Net proceeds from issue of shares	605	-	-	-	-	-	-	605
Transfer to/from reserves	-	4,584	-	(4,310)	-	-	(274)	-
Dividends paid to equity holders	-	-	-	(3,199)	-	-	-	(3,199)
Total comprehensive income for the year	-	-	10	18,338	-	648	-	18,996
Balance at 31 December 2011	27,725	18,442	15,372	16,264	-	758	14,360	92,921

The Group	Stated Capital	Statutory Reserve	Capital Surplus	Retained Earnings	Other Reserves			Total Equity
					Share Options Reserve	Fair Value Reserves	Regulatory Credit Risk Reserve	
Balance at 1 January 2010	25,000	11,656	4,058	7,673	467	(345)	9,915	58,424
Net proceeds from issue of shares	2,120	-	-	-	-	-	-	2,120
Transfer to/from Reserves	-	2,202	-	(6,454)	(467)	-	4,719	-
Change in Bank's shares held by subsidiaries	-	-	180	-	-	-	-	180
Dividends paid to equity holders	-	-	-	(2,853)	-	-	-	(2,853)
Total comprehensive income for the year	-	-	10,986	9,466	-	455	-	20,907
Balance at 31 December 2010	27,120	13,858	15,224	7,832	-	110	14,634	78,778

Balance at 1 January 2011	27,120	13,858	15,224	7,832	-	110	14,634	78,778
Net proceeds from issue of shares	605	-	-	-	-	-	-	605
Transfer to/from Reserves	-	4,584	-	(4,310)	-	-	(274)	-
Change in Bank's shares held by subsidiaries	-	-	(5,398)	-	-	-	-	(5,398)
Dividends paid to equity holders	-	-	-	(3,194)	-	-	-	(3,194)
Total comprehensive income for the year	-	-	10	16,905	-	648	-	17,563
Balance at 31 December 2011	27,725	18,442	9,836	17,233	-	758	14,360	88,354

CAL BANK LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2011

in thousands of Ghana Cedis

	The Bank		The Group	
	2011	2010	2011	2010
Profit Before Tax for the Period	24,584	11,660	23,352	12,598
Adjustments for:				
Depreciation and Amortisation	2,473	1,998	2,638	2,161
Impairment on Financial Assets	11,465	12,849	11,465	12,849
Profit on Disposal of Non-current Assets	(8)	(23)	(8)	(23)
Dividend Received	(441)	-	(37)	-
Other Employee Benefit Expenses	193	(38)	193	(38)
Associated Company Profit/(Loss)	-	-	-	61
Impairment of Investment in Associated Company	407	-	1,553	-
Change in Fair Value of Investment Securities Recognised in Income Statement	723	(1)	984	-
Other Provisions	(1)	191	(1)	191
Accretion of Deferred Income	2,111	841	2,111	841
	41,506	27,477	42,250	28,640
Change in Government Securities	(37,453)	(42,089)	(37,860)	(42,107)
Change in Investments in Other Securities	86	290	909	(577)
Change in Investment in Subsidiaries	(400)	-	-	-
Change in Loans and Advances to Customers	(169,278)	(54,822)	(168,295)	(54,822)
Change in Other Assets	1,218	(2,799)	880	(3,047)
Change in Customer Deposits	283,183	7,989	298,544	14,480
Change in Amounts Due to Banks and Other Financial Institutions	6,512	4,564	10,880	4,543
Change in Accruals and Other Liabilities	(2,810)	1,277	(3,188)	1,698
Income Tax Paid	(10,131)	(5,273)	(10,451)	(5,397)
Net Cash Flows From Operating Activities	112,433	(63,386)	133,669	(56,589)
Cash Flows From Investing Activities				
Purchase of Property, Plant and Equipment	(4,247)	(2,407)	(4,253)	(2,422)
Proceeds from Sale of Non-current Assets	42	23	42	23
Change in Treasury Shares	-	-	(5,398)	180
Net Cash Used in Investing Activities	(4,205)	(2,384)	(9,609)	(2,219)
Cash Flow from Financing Activities				
Dividend Income	441	-	37	-
Dividends Paid	(3,199)	(2,866)	(3,193)	(2,853)
Net Changes in Borrowings	(15,553)	16,319	(15,553)	16,319
Proceeds from Shares Issued	605	2,120	605	2,120
Net Cash Flow from Financing Activities	(17,706)	15,573	(18,104)	15,586
Net Increase/(Decrease) in Cash and Cash Equivalents	90,522	(50,197)	105,956	(43,222)
Analysis of Changes in Cash and Cash Equivalents During the Year				
Cash and Cash Equivalents at 1st January	88,740	138,937	96,656	139,878
Net Change in Cash and Cash Equivalents	90,522	(50,197)	105,956	(43,222)
Cash and Cash Equivalents at 31st December	179,262	88,740	202,612	96,656
Analysis of Cash and Cash Equivalents During the Year				
Cash and Balances with Bank of Ghana	67,659	37,786	67,659	37,786
Due from Banks and Other Financial Institutions	99,172	43,309	122,522	51,225
Items in Course of Collection from Other Banks	12,431	7,645	12,431	7,645
Total Cash and Cash Equivalents	179,262	88,740	202,612	96,656

CAL BANK LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2011

(All currency amounts in the notes are in thousands of Ghana Cedis unless otherwise stated)

1. REPORTING ENTITY

Cal Bank Limited (the "Bank") is a bank incorporated in Ghana. The address and registered office of the Bank is 23 Independence Avenue, P.O. Box 14596, Accra, Ghana. The consolidated financial statements of the Bank as at and for the year ended 31st December 2011 comprise the Bank and its subsidiaries (together referred to as the Group). The Group primarily is involved in investment, corporate and retail banking and asset management services.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The financial statements 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 or loss, financial instruments classified as available-for-sale, and leasehold land and buildings.

(c) Functional and presentation currency

The consolidated financial statements are presented in Ghana Cedis, which is the Group's functional currency. Except as indicated, financial information presented in Ghana Cedis have been rounded to the nearest thousand.

(d) Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgment, 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 and in any future periods affected.

(e) Information about significant estimation, uncertainty and critical judgements

In applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statement are describe in notes 4 & 5.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are all entities over which the Bank exercises control directly or indirectly over the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date that control ceases. Subsidiaries that are considered insignificant are not consolidated and the Bank's interests in those subsidiaries are classified as long term investments.

(ii) Investments in Associates

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial management policy decisions. This is generally demonstrated by the Group holding in excess of 20%, but no more than 50%, of the voting rights.

The Group's investments in associates are initially recorded at cost and increased (or decreased) each year by the Group's share of the post acquisition net income (or loss), or other movements reflected directly in the equity of the associated or jointly controlled entity. Goodwill arising on the acquisition of an associate is included in the carrying amount of the investment (net of any accumulated impairment loss). When the Group's share of losses in an associate equals or exceeds the recorded interest, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the entity.

The Group's share of the results of associates is based on financial statements made up to a date not earlier than three months before the statement of financial position date, adjusted to conform with the accounting policies of the Group. Unrealised gains on transactions are eliminated to the extent of the Group's interest in the investee. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

In the financial statements of the Group, investments in associates are stated at cost less impairment if any.

(iii) Funds Management

The Group manages and administers assets held in unit trust or other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except where the group controls the entity. Information about the group's fund management activities are set out in note 34.

(iv) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. All subsidiaries and associates follow the same accounting policies. Where this is not the case, on consolidation, changes are effected to bring the accounting policies in line with the Group policies.

(b) Foreign Currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost or year-end exchange rates if held at fair value, and the resulting foreign exchange gains and losses are recognised in the income statement or shareholders' equity as appropriate.

(c) Interest

Interest income is recognised in the income statement for all interest-bearing financial instruments classified as held to maturity, available for sale or other loans and receivables using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest rate, the Group estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses. Fees are included in the calculation to the extent that they can be wholly measured and are considered to be an integral part of the effective interest rate. Cash flows arising from the direct and incremental costs of issuing financial instruments are also taken into account in the calculation. Where it is not possible to otherwise estimate reliably the cash flows or the expected life of a financial instrument, effective interest is calculated by reference to the payments or receipts specified in the contract, and the full contractual term.

When a financial asset or a group of similar financial assets have been written down as a result of impairment, contractual effective rate of interest is used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income and expense on financial assets and liabilities held at fair value through profit or loss is recognised in the income statement in the period they arise.

(d) Fees and commissions

Fees and commission income and expenses that are an integral part of the effective interest rate on financial instruments are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement and arrangement fees and syndication fees are recognised as the related services are performed, usually on time proportionate basis.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(e) Net Trading Income

Income arises from the margins which are achieved through market-making and customer business and from changes in market value caused by movements in interest and exchange rates, equity prices and other market variables. Trading positions are held at fair value and the resulting gains and losses are included in the income statement, together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

(f) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of net trading income, net income on other financial instruments at fair value or other operating income based on the underlying classification of the equity instrument.

(g) Other Operating Income

Other operating income comprises other income including gains or losses arising on fair value changes in trading assets and liabilities, derecognised available for sale financial assets, and foreign exchange differences.

(h) Leases

(i) Classification

Leases that the Group assumes substantially all the risks and rewards of ownership of the underlying asset are

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

at its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are classified as operating leases.

(ii) Lease Payments

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(i) Income tax expense

Income tax payable on taxable profits ('current tax'), is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

Deferred income tax is provided in full, using the liability method, on temporary timing differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and legislation enacted or substantially enacted by the balance sheet date and is expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred and current tax assets and liabilities are only off set when they arise in the same tax reporting group and where there is both the legal right and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(j) Financial assets and liabilities

(i) Categorisation of financial assets and liabilities

The Group classifies its financial assets in the following categories: financial assets held at fair value through profit or loss; loans and receivables and available-for-sale financial assets. Financial liabilities are classified as either held at fair value through profit or loss, or at amortised cost. Management determines the categorisation of its financial assets and liabilities at initial recognition.

(ii) Financial assets and liabilities held at fair value through profit or loss

Financial instruments are classified in this category if they are held for trading, or if they are designated by management under the fair value option. Instruments are classified as held for trading if they are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking or;
- a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial instruments may be designated at fair value through profit or loss (designated under the fair value option) on inception. Financial instruments cannot be taken into or out of this category after inception. Financial instruments designated at fair value are recognised initially at fair value and transaction costs are taken directly to the income statement. Gains and losses arising from changes in fair value are included directly in the income statement. The instruments are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition.

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis, or a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Regular way purchases and sales of financial instruments held for trading under fair value option are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, which are not classified as available for sale and which the Group has no intention to sell immediately or in the near term.

Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method. They are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

Regular way purchases and sales of loans and receivables are recognised on contractual settlement.

(iv) Available for sale financial assets

Available for sale investments are non-derivative financial investments that are designated as available for sale and are not categorised as held at fair value through profit and loss, loans and receivables or held to maturity. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gains and losses arising from changes in fair value are included in a separate component of equity until sale when the cumulative gain or loss is transferred to the income statement. Interest determined using the effective interest rate method, impairment losses and translation differences on monetary items are recognised in the income statement. The available for sale financial assets are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

Regular way purchases and sales of available for sale financial instruments are recognised on trade date, being the date on which the group commits to purchase or sell the asset.

(v) Financial liabilities measured at amortised cost

This relates to all other liabilities that are not designated at fair value through profit or loss. All financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

(vi) Fair value measurement

The determination of fair values of quoted financial assets and financial liabilities in active markets are based on quoted market prices or dealer price quotations. For unlisted securities and financial assets or financial liabilities that are not actively traded, the Group establishes fair value by using valuation techniques. These techniques include the use of arms' length transactions, discounted cash flow analysis, and valuation models and techniques commonly used by market participants. Some or all of the inputs into these models may be derived from market prices or rates or are estimates based on assumptions.

The value produced by a model or other valuation technique may be adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

(vii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position if, and only if, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(viii) Amortised cost measurement

“The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.”

(ix) Identification and measurement of impairment

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

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan and other observable data that suggests adverse changes in the payment status of the borrowers.

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

If there is objective evidence that an impairment loss on a loan and receivable has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less cost for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group’s grading process which considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for group of such assets being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

To the extent a loan is irrecoverable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Impairment losses on available-for-sale financial assets are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to the income statement. When the subsequent events cause available-for-sale assets to decrease, the impairment loss is reversed through the income statement.

(k) Derivative financial instruments

Derivative contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The fair value changes in the derivative are recognised in the income statement.

(l) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities less than three months. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(m) Investments in debt and equity instruments

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either fair value through profit and loss, available for sale or loans and receivables.

(i) Fair value through profit and loss

The Group carries some investment securities at fair value, with fair value changes recognised immediately in profit or loss as described in accounting policy j(ii).

(ii) Available for sale

Available for sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised directly in equity until the investment is sold or impaired and the balance in equity is recognised in profit or loss.

(iii) Loans and receivables

Investment securities designated as loans and receivables comprise investment in government treasury bills which are carried at amortised cost as described in accounting policy j(iii)

(n) Due from Banks and Other Financial Institutions

This is mainly made up of placements and overnight deposits with banks and other financial institutions. Amounts due from banks and other financial institutions are carried in the statement of financial position at amortised cost, i.e. gross receivable less impairment allowance.

(o) Property, Plant and Equipment

(i) Recognition and measurement

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

The Bank owns landed properties that are revalued every three years. Increases in the carrying amount arising on revaluation are credited to capital surplus. Decreases that offset previous increases of the same asset are charged against the capital surplus.

(ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of Property, Plant and Equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of Property, Plant and Equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold Buildings	-	over the remaining life of the lease
Motor Vehicles	-	5 years
Equipment	-	3 years
Furniture and fittings	-	7 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Gains and losses on disposals are included in the income statement.

(p) Intangible assets

Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three to five years.

(q) Current and Deferred Taxation

(i) Current Taxation

The Group provides for income taxes at the current tax rates on the taxable profits of the Group. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred Taxation

Deferred income tax is provided, using the balance sheet method, on temporary timing differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax is not recognized for the following temporary differences; the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred income tax is determined using tax rates and legislation enacted or substantially enacted by the balance sheet date and is expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(r) Events After Reporting Date

Events after reporting date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

(s) Deposits, amounts due to Banks and borrowings

This is mainly made up of customer deposit accounts, overnight placements by banks and other financial institutions and medium term borrowings. They are categorised as other financial liabilities carried in the statement of financial position at amortised cost.

(i) Deposits and amounts due to Banks

Deposits and amounts due to Banks are a major source of debt funding for the Group. Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group chooses to carry the liabilities at fair value through profit and loss.

(ii) Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowing on an effective interest basis.

(t) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

(u) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at their fair value, and the fair value is amortised over the life of the financial guarantee. The financial guarantees are subsequently carried at the higher of the amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

(v) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iii) Short-term benefits

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

(iv) Defined benefit scheme

The group also provides gratuity benefits to its retirees on health grounds and long-term services. The entitlement to these benefits is usually conditional on the employee remaining in service up to the due date and completion of minimum service period. The expected cost of these benefits are accrued over the period of employment.

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

(w) Share-based payments to employees

The Group engages in equity settled share-based payment transactions in respect of services received from certain of its employees. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the shares or share options granted is recognised in the income statement over the period that the services are received, which is the vesting period.

The fair value of the shares granted is determined by reference to the intrinsic value of the options granted, which take into account the exercise price of the option, the current weighted average share price of Cal Bank Limited's shares listed on the Ghana Stock Exchange.

Except for those which include terms related to market conditions, vesting conditions included in the terms of the grant are not taken into account in estimating fair value. Non-market vesting conditions are taken into account by adjusting the number of shares or share options included in the measurement of the cost of employee services so that ultimately, the amount recognised in the income statement reflects the number of vested shares or share options. Where vesting conditions are related to market conditions, the charges for the services received are recognised regardless of whether or not the market related vesting condition is met, provided that the non-market vesting conditions are met.

(x) Impairment on non-financial assets

The carrying amount of the Group's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in the income statement.

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

(y) Share capital

(i) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the shareholders of the bank. Dividend payable is recognised as a liability in the period in which it is declared (the obligation to pay is established).

(iii) Treasury shares

Where the Company or any member of the Group purchases the Company's shares, the consideration paid is deducted from shareholders' equity (Capital Surplus Account) as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(z) Segment Reporting

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

Business segments are the primary reporting segments. Group costs are allocated to segments on a reasonable and consistent basis.

(aa) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of dilutive potential ordinary shares which comprises share options granted to employees.

(ab) New standards and interpretations yet to be adopted

Details presented in note 38.

(ac) Environmental and Social Policy

CAL Bank believes environmental protection and social development are among the most pressing issues facing the world today. The Bank therefore regards sustainable and social development as a fundamental aspect of sound business management. Consequently, the Bank is committed to continuing the integration of environmental and social aspects into its business activities.

The bank therefore has put in place an environmental and social management systems (ESMS) and policy which are integrated into our credit assessment process. Our ESMS policy includes sound objectivities and well defined processes, procedures and responsibilities to ensure optimal benefit from this policy.

We continuously improve upon our systems by providing the needed training to our staff. We also communicate with our clients and provide the needed guidelines to ensure a healthy environment and social development.

Our benchmarks are the local legislations as well as the Environmental and Social Policies and Guidelines of the World Bank Group and the Conventions of the International Labour Organization.

4. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk • liquidity risk • market risks • operational risks.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Risk Management Committee of the Board assists the Board in carrying out this responsibility. To enable it achieve its purpose, the Committee:

- Reviews and monitors aggregate risk levels in the business and the quality of risk mitigation and controls for all areas of risk to the business
- Makes recommendations to management on areas of improvement
- Informs the Board of progress in implementing improvements.

The Board has also established the Asset and Liability Management Committee (ALCO) and Risk Management Department which are responsible for developing and monitoring risk management policies in their specified areas.

The risk management policies are established to identify and analyse the risks faced by the Group, 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 Group, 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 Audit Committee of the Board is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in these functions by Internal Audit and Internal Control. Internal Audit and Internal Control undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

All Board committees are made up of non-executive members, with executives in attendance. The committees report regularly to the Board of Directors on their activities.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and sector risk).

Management of credit risk

The Board of Directors has delegated responsibility for the day-to-day management of credit risk to the Credit Department and the overall management of credit risk to the Risk Management Department. These departments report to the Board on a quarterly basis.

The Credit department's responsibility includes:

- 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 executives of the group. Larger facilities require approval by the Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing all credit exposures 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 and industries (for loans and advances), and by issuer, credit rating band and market liquidity.
- Developing and maintaining 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 reflects the 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 final approving executive / committee as appropriate. Risk grades are subject to regular reviews by Credit department.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to Group Credit on the credit quality of loan portfolio and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures. Each business unit reports on all credit related matters to management. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios.

The internal risk grading scale is as follows:

Group's rating	Description of the grade	Average number of days outstanding
Grade A	Current	less than 30 days
Grade B	Other Loans Especially Mentioned (OLEM)	30 to but less than 90 days
Grade C	Sub-standard	90 days to less than 180 days
Grade D	Doubtful	180 days to less than 360 days
Grade E	Loss	360 days and above

The Risk Management Department monitors and manages the Bank's global credit risk within the appetite approved by the Board and set as limits and controls within the Bank's Risk Management Policy statement. It also promotes and supports the development of good credit risk management practices.

Regular audits of business units and Group Credit processes are undertaken by Internal Audit.

4. Financial risk management (continued)

Exposure to Credit Risk

Loans and Advances to Customers

	2011	2010
Carrying Amount	411,582	256,634
Individually Impaired		
Grade B	1,794	968
Grade C	5,781	1,863
Grade D	3,237	2,534
Grade E	23,401	19,099
Gross Amount	34,213	24,464
Allowance for Impairment	(20,602)	(14,061)
Carrying Amount	13,611	10,403
Collectively Impaired		
Grade B	301	433
Grade C	19	752
Grade D	640	3,811
Grade E	4,759	-
Gross Amount	5,719	4,996
Allowance for Impairment	(5,674)	(561)
Carrying Amount	45	4,435
Past due but not Impaired		
Grade B	6,700	2,378
Grade C	-	458
Grade D	1,550	-
Grade E	3,208	2,201
Carrying Amount	11,458	5,037
Loans with renegotiated terms	21,140	12,234
Neither past due nor impaired		
Grade A	365,328	224,525
Total Carrying Amount	411,582	256,634

Impaired loans and securities

Impaired loans and securities are loans and securities for which it has been determined 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).

Past due but not impaired loans

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

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 Group 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

An allowance is established 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 groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

4. Financial risk management (continued)

Write-off policy

The Group writes off a loan / security balance (and any related allowances for impairment losses) when loan review committee determines that the loans / securities are uncollectible. This determination is reached after the loan or security has been classified as "loss" for three consecutive years. All write-offs must be approved by the Board.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

Loans and Advances to Customers

	31st December 2011		31st December 2010	
	Gross	Net	Gross	Net
Grade B	1,794	1,188	968	742
Grade C	5,781	3,073	1,863	1,342
Grade D	3,237	2,194	2,534	949
Grade E	23,401	7,156	19,099	7,370
Total	34,213	13,611	24,464	10,403

Credit collateral

The Group holds collateral against loans and advances to customers in the form of 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 updated every three years. Collateral generally is not held over loans and advances to banks, except where the counterparty bank assigns securities in the form of treasury bills or government bonds. Collateral usually is not held against investment securities, and no such collateral was held at 31st December 2011 or 2010.

Credit risk concentration

The Group monitors concentrations of credit risk by business segment and by type of customer. An analysis of concentrations of credit risk by business segment at the reporting date is shown below:

	Loans and Advances to Customers	
	2011	2010
Carrying Amount	411,582	256,634
Concentration by sector		
Agriculture, Forestry & Fishing	2,835	2,544
Mining and Quarrying	7,091	1,768
Manufacturing	42,680	38,622
Construction	112,540	39,618
Electricity, gas and water	8,353	28,429
Commerce and Finance	117,196	71,071
Transport, Storage and Communications	12,602	19,820
Services	112,446	52,537
Miscellaneous	22,115	16,847
	437,858	271,256
Allowance for Impairment	(26,276)	(14,622)
	411,582	256,634
Concentration by type of customer		
Private Enterprises	365,154	249,897
Joint Private & State Enterprises	58,703	9,801
Individuals	14,001	11,558
	437,858	271,256
Allowance for Impairment	(26,276)	(14,622)
	411,582	256,634

4. Financial risk management (continued)

Settlement risk

The Group'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 Group 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.

(c) Liquidity risk

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

Management of liquidity risk

The Group'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 Group's reputation.

The Group maintains information regarding the liquidity profile of its financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury department then 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 Group as a whole. The liquidity requirements of business are met through various deposit mobilisation strategies, short-term loans from the inter-bank market to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

Exposure to liquidity risk

The matching and control of the maturities and interest rates of assets and liabilities is fundamental to the management of the bank. It is unusual for banks to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position may potentially enhance profitability, but may also increase the risk of losses.

The following table provides detail on the residual maturity of all financial instruments and other assets and liabilities:

31st December 2011	Carrying Amount	Less Than 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 3 years	3 - 5 years	More than 5 years
Assets								
Cash and balances with Bank of Ghana	67,659	67,659	-	-	-	-	-	-
Items in Course of Collection from Other Banks	12,431	12,431	-	-	-	-	-	-
Investment in Government Securities	154,880	56,606	24,422	54,836	19,016	-	-	-
Due from Banks and Other Financial Institutions	122,522	122,522	-	-	-	-	-	-
Investment in Other Securities	768	-	-	-	-	316	-	452
Investment in Associated Company	-	-	-	-	-	-	-	-
Loans and Advances to Customers	411,582	128,063	24,007	11,117	10,643	82,645	80,737	74,370
Other Assets	7,911	-	4,780	3,131	-	-	-	-
Current Tax Assets	-	-	-	-	-	-	-	-
Deferred Tax Assets	2,167	-	-	-	-	-	-	2,167
Property and Equipment	28,779	-	-	-	-	-	-	28,779
Intangible Assets	665	-	-	-	-	-	-	665
Total Assets	809,364	387,281	53,209	69,084	29,659	82,961	80,737	106,433
Liabilities								
Customer Deposits	586,770	188,222	78,833	138,800	101,581	52,261	17,798	9,275
Due to Banks and Other Financial Institutions	24,949	8,288	1,902	6,452	4,449	2,857	572	429
Borrowings	92,652	806	3,960	4,141	15,459	4,201	48,245	15,840
Accruals and Other Liabilities	16,423	11,678	3,276	1,469	-	-	-	-
Current Tax Liabilities	216	-	216	-	-	-	-	-
Deferred Tax Liabilities	-	-	-	-	-	-	-	-
Total Liabilities	721,010	208,994	88,187	150,862	121,489	59,319	66,615	25,544
Cumulative liquidity gap	88,353	178,287	(34,978)	(81,778)	(91,830)	23,642	14,122	80,889

4. Financial risk management (continued)

31st December 2010	Carrying Amount	Less Than 1 month	1 - 3 months	3 - 6 months	6 months to 1 year	1 to 3 years	3 - 5 years	More than 5 years
Assets								
Cash and balances with Bank of Ghana	37,786	37,786	-	-	-	-	-	-
Items in Course of Collection from Other Banks	7,645	7,645	-	-	-	-	-	-
Investment in Government Securities	117,668	-	5,265	101,189	5,529	837	-	4,848
Due from Banks and Other Financial Institutions	51,225	51,225	-	-	-	-	-	-
Investment in Other Securities	1,677	-	-	-	-	-	-	1,677
Investment in Associated Company	1,160	-	-	-	-	-	-	1,160
Loans and Advances to Customers	256,634	90,174	-	429	16,661	51,833	64,987	32,550
Other Assets	8,333	-	5,000	2,616	161	556	-	-
Property, Plant and Equipment	27,379	-	-	-	-	-	3,479	23,900
Intangible Assets	485	-	-	-	-	485	-	-
Total Assets	509,992	186,830	10,265	104,234	22,351	53,711	68,466	64,135
Liabilities								
Customer Deposits	282,556	82,120	43,315	77,795	50,390	10,996	10,883	7,057
Due to Banks and Other Financial Institutions	14,069	5,317	3,551	2,387	1,714	458	367	275
Borrowings	109,010	-	18,981	3,804	21,931	18,885	37,905	7,504
Accruals and Other Liabilities	23,515	17,322	4,743	1,450	-	-	-	-
Current Tax Liabilities	1,683	-	1,683	-	-	-	-	-
Deferred Tax Liabilities	380	-	-	-	-	-	-	380
Total Liabilities	431,213	104,759	72,273	85,436	74,035	30,339	49,155	15,234
Liquidity gap	78,779	82,071	(62,008)	18,798	(51,684)	23,372	19,311	48,901

The previous table shows the undiscounted cash flows on the Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Group'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 table above analyses assets and liabilities of the bank into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The matching and control of the maturities and interest rates of assets and liabilities is fundamental to the management of the bank.

Compliance with statutory liquidity requirement

- (i) Default in Statutory Liquidity
- (ii) Default in Statutory Liquidity Sanction (GH¢'000)

	2011	2010
(i) Default in Statutory Liquidity	Nil	Nil
(ii) Default in Statutory Liquidity Sanction (GH¢'000)	Nil	Nil

(d) 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 Group'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

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the brokerage subsidiary, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk is vested in ALCO. The Risk Management Department is responsible for the development of detailed risk management policies (subject to review and approval by the Board) and for the day-to-day review of their implementation.

Exposure to interest rate risk - non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management department in its day-to-day monitoring activities.

4. Financial risk management (continued)

Exposure to interest rate risk – non-trading portfolios (continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves and a 50 bp rise or fall in all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

in thousands of Ghana Cedis

Sensitivity of projected net interest income	100 bp parallel increase	100 bp parallel decrease	50 bp parallel increase	50 bp parallel decrease
At 31 December 2011	2,258	(3,610)	1,127	(1,487)
At 31 December 2010	1,946	(2,542)	969	(1,131)

Concentration of assets, liabilities and off balance sheet items

Banks take on foreign currency exchange rate exposure on their financial position and cash flows.

The table below summarises the bank's exposure to foreign currency exchange rate risks at year-end.

The amounts stated in the table are the Ghana Cedi equivalent of the foreign currencies.

2011	US Dollars	British Pounds	Euro	Others	Total
Assets					
Cash and Balances with Bank of Ghana	29,161	411	629	-	30,201
Government Securities	-	-	-	-	-
Due from other Banks & Financial Institutions	83,806	3,553	8,116	31	95,506
Investment in other Securities	-	-	-	-	-
Loans and Advances to Customers	199,614	-	3	-	199,617
Investment in Subsidiary	-	-	-	-	-
Property, Plant and Equipment	-	-	-	-	-
Other Assets	1,776	34	6	-	1,816
Taxation	-	-	-	-	-
Total Assets	314,356	3,998	8,755	31	327,140
Liabilities					
Due to Customers	189,403	2,585	8	-	191,996
Due to other Banks	-	-	-	-	-
Due to Central Bank	-	-	-	-	-
Borrowings	84,159	-	-	-	84,159
Other Liabilities	5,129	580	166	-	5,875
Total Liabilities	278,691	3,165	174	0	282,030
Net On-Balance Sheet Position	35,665	834	8,580	31	45,110
Off-Balance Sheet Credit Commitments	45,310	330	12,417	3,430	61,488

2010	US	British	Euro	Others	Total
Assets	Dollars	Pounds			
Cash and Balances with Bank of Ghana	6,294	416	655	-	7,365
Government Securities	-	-	-	-	-
Due from other Banks & Financial Institutions	22,325	1,708	2,537	699	27,269
Investment in other Securities	-	-	-	-	-
Loans and Advances to Customers	121,097	1	2,780	-	123,877
Investment in Subsidiary	-	-	-	-	-
Property, Plant and Equipment	-	-	-	-	-
Other Assets	2,768	16	3	-	2,787
Taxation	-	-	-	-	-
Total Assets	152,484	2,141	5,975	699	161,298
Liabilities					
Due to Customers	67,483	1,545	3,251	-	72,279
Due to other Banks	-	-	-	-	-
Due to Central Bank	-	-	-	-	-
Borrowings	66,976	-	-	-	66,976
Other Liabilities	11,721	14	14	(1)	11,748
Total Liabilities	146,180	1,559	3,265	(1)	151,003
Net On-Balance Sheet Position	6,304	582	2,709	700	10,295
Off-Balance Sheet Credit Commitments	16,329	178	1,879	-	18,385

(e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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 Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group'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 Group 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.

4. Financial risk management (continued)

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit, Internal Control, risk and compliance Departments. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Senior Management Committee, Audit Committee, Risk Management Committee and the Board.

(f) Capital management

Regulatory capital

The Group's lead regulator, the Bank of Ghana, sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements the Bank of Ghana requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets.

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

Tier 1 capital, which includes ordinary share capital, retained earnings, translation reserve and minority interests after deductions for goodwill and intangible assets, 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 qualifying subordinated liabilities and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

The carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation and investments in the capital of banks and certain other regulatory items are deducted from capital.

The banks operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group'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 Group 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.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the Group's management of capital during the period.

4. Financial risk management (continued)

The Group's regulatory capital position at 31 December was as follows:

	The Bank		The Group	
	2011	2010	2011	2010
Tier 1 capital				
Ordinary share capital	27,725	27,120	27,725	27,120
Retained earnings	16,264	5,435	17,233	7,832
Statutory Reserves	18,442	13,859	18,442	13,859
Regulatory Credit Risk Reserve	14,360	14,634	14,360	14,634
Other regulatory adjustments	(18,473)	(15,642)	(17,350)	(15,729)
Total	58,318	45,406	60,410	47,716
Tier 2 capital				
Fair value reserve for available-for-sale securities	758	110	758	110
Revaluation Reserves	15,372	15,362	9,836	15,224
Total	16,130	15,472	10,594	15,334
Total regulatory capital	74,448	60,878	71,003	63,050
Risk-weighted assets				
On-balance sheet items	421,372	294,368	409,043	310,050
Off-balance sheet items	137,633	47,667	137,633	47,666
Total risk-weighted assets	559,005	342,035	546,676	357,716
Other Regulatory Adjustments	52,480	36,557	65,422	37,327
Adjusted Asset Base	611,485	378,592	612,098	395,043
Capital ratios				
Capital Adequacy (Total Regulatory Capital as a percentage of Adjusted Asset Base)	12.17%	16.08%	11.60%	15.96%

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization 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.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group 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 Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

5. USE OF ESTIMATES AND JUDGEMENTS

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

These disclosures supplement the commentary on financial risk management (see note 4).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(j)(ix).

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items can not yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions.

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(j)(vi). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgements made in applying the Group's accounting policies include:

Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

In classifying financial assets or liabilities as "trading", the Group has determined that it meets the description of trading assets and liabilities set out in accounting policy 3(j).

In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policy 3(j)(vi).

6. OPERATING SEGMENTS

The group has five reportable segments. Information regarding each reportable segment is presented below.

31st December 2011	Corporate Banking	Retail & Business Banking	Treasury	Brokerage	Asset Man- agement	Others	Totals
Revenues from External Customers							
Interest Income	43,188	17,070	14,871	685	-	-	75,814
Interest Expense	(14,397)	(7,290)	(12,663)	(70)	-	-	(34,420)
Net Interest Income	28,791	9,780	2,208	615	-	-	41,394
Net Fees and Commissions	9,684	4,038	3	98	823	-	14,646
Net Trading Income	-	-	10,445	36	-	64	10,545
Other Operating Income	2,912	403	-	(101)	(2)	1,148	4,359
Intersegment Revenue	59	-	-	-	107	-	166
Operating Income	41,445	14,221	12,655	648	928	1,212	71,110
Impairment Charge on Financial Assets	(6,535)	(4,930)	-	-	-	-	(11,465)
Net Operating Income	34,911	9,291	12,655	648	928	1,212	59,645
Staff Costs	(920)	(4,195)	(404)	(235)	(389)	(10,861)	(17,003)
Administration and General Expenses	(429)	(2,253)	(338)	(404)	(129)	(12,942)	(16,494)
Depreciation and Amortisation	-	(920)	-	(149)	(16)	(1,553)	(2,638)
Total Operating Expenses	(1,349)	(7,367)	(742)	(788)	(533)	(25,355)	(36,135)
Reportable Segment Profit Before Income Tax	33,562	1,924	11,913	(140)	395	(24,143)	23,510
Reportable Segment Assets	341,502	110,623	319,233	30,087	1,216	6,703	809,364
Expenditure on non-current assets	-	-	-	-	-	4,253	4,253
Reportable Segment liabilities	221,698	173,061	324,826	499	61	865	721,010

6. Operating segments (Continued)

31st December 2010	Corporate Banking	Retail & Business Banking	Treasury	Brokerage	Asset Management	Others	Totals
Revenues from External Customers							
Interest Income	33,469	19,240	16,890	151	-	-	69,750
Interest Expense	(13,634)	(7,108)	(11,886)	(47)	-	-	(32,675)
Net Interest Income	19,835	12,132	5,004	104	-	-	37,075
Net Fees and Commissions	5,163	3,375	-	27	723	-	9,288
Net Trading Income	-	-	4,414	153	-	266	4,833
Other Operating Income	943	277	79	390	21	907	2,617
Intersegment Revenue	36	-	-	3	125	-	164
Operating Income	25,977	15,784	9,497	677	869	1,173	53,977
Impairment Charge on Financial Assets	(5,138)	(7,711)	-	-	-	-	(12,849)
Net Operating Income	20,839	8,073	9,497	677	869	1,173	41,128
Staff Costs	(942)	(3,820)	(448)	(208)	(306)	(7,058)	(12,782)
Administration and General Expenses	(175)	(2,070)	(194)	(177)	(109)	(10,660)	(13,385)
Depreciation and Amortisation	-	(988)	-	(149)	(14)	(1,009)	(2,161)
Total Operating Expenses	(1,117)	(6,878)	(642)	(534)	(429)	(18,727)	(28,328)
Reportable Segment Profit Before Income Tax	19,722	1,195	8,855	143	440	(17,554)	12,800
Reportable Segment Assets	175,654	88,781	188,869	7,756	999	47,933	509,992
Expenditure on non-current assets	-	-	-	-	-	2,407	2,407
Reportable Segment liabilities	115,991	120,723	177,521	187	66	16,725	431,214
Reconciliation of Segment Revenues			2011		2010		
Total Revenue for Reportable Segments			69,898		52,804		
Other Revenues			1,212		1,173		
Elimination of Intersegment Revenues			(166)		(164)		
Total Group Revenue			70,944		53,813		

6. Operating segments (Continued)

Reconciliation of Profit or Loss

	2011	2010
Total profit or loss for reportable segments	47,653	30,354
Other Profit or loss	(24,143)	(17,554)
Elimination of Intersegment profit	(166)	(164)
Unallocated Amounts:		
Share of Post-tax (Loss)/Profit of Associated Company	-	(61)
Proceeds From Disposal of Non-Current Assets	8	23
Total Consolidated Income before tax expense	23,352	12,598

Reconciliation of assets and liabilities

Total assets for reportable segments	802,661	462,059
Other Assets	6,703	47,933
Total assets for the Group	809,364	509,992
Total liabilities for reportable segments	720,145	414,489
Other liabilities	865	16,725
Total liabilities for the Group	721,010	431,214

7. FINANCIAL ASSETS AND LIABILITIES

Accounting classifications and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities (excluding accrued interest). The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arms-length transaction between knowledgeable willing parties.

	Trading	Loans and receivables	Available for sale	Other amortised cost	Total carrying amount	Fair value
31st December 2011						
Cash and balances with Bank of Ghana	-	-	-	67,659	67,659	67,659
Items in Course of Collection from Other Banks	-	-	-	12,431	12,431	12,431
Investment in Government Securities	-	136,803	18,077	-	154,880	154,796
Due from Banks and Other Financial Institutions	-	122,522	-	-	122,522	122,522
Investment in Other Securities	-	-	768	-	768	768
Loans and Advances to Customers	-	411,582	-	-	411,582	406,617
	-	670,907	18,845	80,090	769,842	764,793
Customer Deposits	-	-	-	586,770	586,770	586,770
Due to Banks and Other Financial Institutions	-	-	-	24,949	24,949	24,949
Borrowings	-	-	-	92,652	92,652	91,847
Accruals and Other Liabilities	-	-	-	16,423	16,423	16,423
	-	-	-	720,794	720,794	719,989
31st December 2010						
Cash and balances with Bank of Ghana	-	-	-	37,786	37,786	37,786
Items in Course of Collection from Other Banks	-	-	-	7,645	7,645	7,645
Investment in Government Securities	-	112,107	5,561	-	117,668	117,668
Due from Banks and Other Financial Institutions	-	51,225	-	-	51,225	51,225
Investment in Other Securities	786	-	891	-	1,677	1,677
Loans and Advances to Customers	-	256,634	-	-	256,634	256,634
	786	419,966	6,452	45,431	472,635	472,635
Customer Deposits	-	-	-	282,556	282,556	282,556
Due to Banks and Other Financial Institutions	-	-	-	14,069	14,069	14,069
Borrowings	-	-	-	109,010	109,010	109,010
Accruals and Other Liabilities	-	-	-	23,515	23,515	23,515
	-	-	-	429,150	429,150	429,150

7. Financial assets and liabilities (Continued)

(a) Fair value approximates carrying value due to the minimal credit losses and short-term nature of the financial assets and liabilities.

(b) Financial instruments at fair value are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using a valuation model, the methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The expected cash flows for each contract are determined either directly by reference to actual cash flows implicit in observable market prices or through modelling cash flows using appropriate financial-markets pricing models. Wherever possible these models use as their basis observable market prices and rates including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates.

(c) The fair value for loans and advances, and other lending is estimated using discounted cash flows, applying either market rates where practicable or, where the counterparty is a bank, rates currently offered by other financial institutions for placings with similar characteristics. In certain cases the fair value approximates carrying value because the instruments are short term in nature or reprice frequently.

(d) Fair values of deposit liabilities payable on demand (interest free, interest bearing and savings deposits) approximate to their carrying value. The fair value of all other deposits and other borrowings (including repurchase agreements and cash collateral on securities lent) is estimated using discounted cash flows, applying either market rates, where practicable, or rates currently offered by the Group for deposits of similar remaining maturities.

(e) Fair values of short-term debt securities in issue are approximately equal to their carrying amount. Fair values of other debt securities in issue are based on quoted prices where available, or where these are unavailable, are estimated using other valuation techniques.

8. NET INTEREST INCOME

	The Bank		The Group	
	2011	2010	2011	2010
INTEREST INCOME				
Placements, Special Deposits, etc.	3,690	1,527	4,411	1,661
Investment Securities	10,656	15,445	10,670	15,463
Loans and Advances	60,792	52,663	60,733	52,626
Total Interest Income	75,138	69,635	75,814	69,750
INTEREST EXPENSE				
Current Accounts	4,824	4,480	4,824	4,480
Time and other Deposits	23,640	20,391	23,583	20,266
Overnight and Call Accounts	787	617	787	617
Borrowings	5,226	7,312	5,226	7,312
Total Interest Expense	34,477	32,800	34,420	32,675
Net Interest Income	40,661	36,835	41,394	37,075

Included within interest income from loans and advances for the year ended 31st December 2011 is a total of GH¢7.93 million (2010: GH¢5.75 million) accrued on impaired financial assets.

9. NET FEE AND COMMISSION INCOME

	Note	The Bank		The Group	
		2011	2010	2011	2010
Fee and Commission Income					
Letters of Credit & Guarantees		4,919	1,881	4,919	1,881
Foreign Transfers		1,928	1,577	1,928	1,577
Other Commissions		3,148	3,427	3,148	3,424
Other Fees		5,198	3,099	5,198	3,099
Total Fee and Commission Income		15,193	9,984	15,193	9,981
Fee and Commission Expense					
Inter-bank transaction fees		534	684	547	693
Total Fee and Commission Expense		534	684	547	693
Net Fee and Commission Income		14,659	9,300	14,646	9,288

10. NET TRADING INCOME

Foreign Exchange		10,445	4,414	10,545	4,414
Equities held-for-trading		-	-	-	419
Net Trading Income		10,445	4,414	10,545	4,833

11. OTHER OPERATING INCOME

Other Income		3,946	1,304	4,359	2,617
		3,946	1,304	4,359	2,617

12. STAFF COSTS

Salaries and Bonuses		8,278	5,524	8,698	5,890
Social Security Contribution		704	660	736	688
Increase in Liability for Defined Benefit Scheme	32	137	139	137	139
Training		414	379	461	397
Other Staff Costs		6,847	5,567	6,971	5,668
		16,380	12,269	17,003	12,782

The average number of persons employed by the bank during the year was 301 (2010: 300)

13. ADMINISTRATION AND GENERAL EXPENSES

Advertising and Marketing		2,060	1,983	2,128	2,030
Administration Expenses		1,804	1,996	1,880	2,098
Directors' Emoluments		1,058	651	1,066	658
Auditors' Remuneration		69	81	93	105
Other Expenses		9,419	8,389	9,774	8,494
Diminution in value of shares held in associated company		407	-	1,553	-
		14,817	13,100	16,494	13,385

Included within directors emoluments for the year ended 31st December 2011 is a total of GH¢ 685,945 (2010: GH¢ 484,254) relating to executive directors.

Social Responsibility

Amount spent on fulfilling social responsibility obligations was GH¢ 141,109 (2010: GH¢ 177,862).

14. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share as at 31st December 2011 was based on the profit attributable to ordinary shareholders of GH¢17.3 million (2010: GH¢9.5 million) and a weighted average number of ordinary shares outstanding of 248 million (2010: 241 million), calculated as follows:

Profit attributable to ordinary shareholders

in thousands of Ghana Cedis

Net profit for the period attributable to equity holders of the Bank

The Group

2011 **2010**

16,905 9,466

Weighted average number of ordinary shares

In thousands of shares

Issued ordinary shares at 1 January

246,103 238,803

Effect of additional issue of shares

2,159 2,450

Weighted average number of ordinary shares at 31 December

248,262 **241,253**

The additional shares issued during the year was concluded on 4th April 2011. The new issued share of 2.2 million shares ran for nine months.

Diluted earnings per share

The calculation of diluted earnings per share as at 31st December 2011 was based on the profit attributable to ordinary shareholders of GH¢17.2 million (2010: GH¢9.5 million) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 248 million (2010: 241 million), calculated as follows:

Profit attributable to ordinary shareholders

in thousands of Ghana Cedis

Profit for the period attributable to ordinary shareholders

Note

The Group

2011 **2010**

16,905 9,466

Weighted average number of ordinary shares (diluted)

In thousands of shares

Weighted average number of ordinary shares (basic)

248,262 241,253

Weighted average number of ordinary shares (diluted) at 31st December

248,262 241,253

15. CASH AND BALANCES WITH BANK OF GHANA

	The Bank		The Group	
	2011	2010	2011	2010
Cash in Hand	10,234	8,742	10,234	8,742
Balances with Bank of Ghana	57,425	29,044	57,425	29,044
	67,659	37,786	67,659	37,786

Mandatory reserve deposits representing 9% of the bank total deposit are not available for use in the bank's day to day operations and are non-interest bearing.

16. CASH AND CASH EQUIVALENTS

	Note	The Bank		The Group	
		2011	2010	2011	2010
Cash and balances with Bank of Ghana	15	67,659	37,786	67,659	37,786
Due from other banks and financial Institutions	19	99,172	43,309	122,522	51,225
Items in course of collection	17	12,431	7,645	12,431	7,645
		179,262	88,740	202,612	96,656

17. ITEMS IN COURSE OF COLLECTION

Items in course of collection	12,431	7,645	12,431	7,645
	12,431	7,645	12,431	7,645

18. GOVERNMENT SECURITIES

Treasury Bills	136,803	111,983	136,803	112,107
Government Bonds	17,546	5,561	18,077	5,561
	154,349	117,544	154,880	117,668

Long term government bonds are classified as Available-for-sale and carried at fair value with the fair value movements recognised directly in equity; whilst short-term treasury bills have been classified as loans and receivables and held at amortised cost.

19. DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

	The Bank		The Group	
	2011	2010	2011	2010
Nostro account balances	83,331	27,309	83,331	27,309
Placement with other banks	15,841	16,000	39,191	23,916
	99,172	43,309	122,522	51,225

20. LOANS AND ADVANCES TO CUSTOMERS

	The Bank		The Group	
	2011	2010	2011	2010
(a) Analysis by type				
Overdrafts	121,464	126,514	120,481	126,514
Term Loans	286,535	133,487	286,535	133,487
Other Advances	30,842	11,254	30,842	11,254
Gross Loans and Advances	438,841	271,255	437,858	271,255
Less:				
Identified Impairment	(25,360)	(14,060)	(25,360)	(14,060)
Unidentified Impairment	(916)	(561)	(916)	(561)
Carrying Amount	412,565	256,634	411,582	256,634

- The above constitute loans and advances (including credit bills negotiated) to customers and staff.
- Loan loss provision ratio is 6.0% of gross advances (2010: 5.4%).
- Gross Non-performing loans ratio per Bank of Ghana requirement is 9.7% (2010: 11.4%).
- Fifty (50) largest exposures (gross funded and non-funded) to total exposures is 77.3% (2010: 72.3%).
- The maximum amount due from officers of the bank during the year amounted to GH¢5.62 million (2010: GH¢5.08 million).

Loans and advances are carried at amortised cost. There were no loans carried at fair value through profit or loss

Allowances for Identified Impairment

	The Bank		The Group	
	2011	2010	2011	2010
Balance at 1st January	14,060	10,630	14,060	10,630
Impairment Charge for the year	11,300	12,765	11,300	12,765
Write-offs	-	(9,335)	-	(9,335)
Balance at 31st December	25,360	14,060	25,360	14,060

Allowances for Unidentified Impairment

Balance at 1st January	561	477	561	477
Impairment Charge for the year	355	84	355	84
Balance at 31st December	916	561	916	561

Impairment charge to the income statement

Net increase in impairments	11,602	5,564	11,602	5,564
Excess impairment charge on written off accounts	53	7,285	53	7,285
Amounts recovered previously written off	(190)	-	(190)	-
Net charge to the income statement	11,465	12,849	11,465	12,849

21. INVESTMENT IN OTHER SECURITIES

	The Bank		The Group	
	2011	2010	2011	2010
Investment securities at fair value through profit or loss	-	-	-	786
Available-for-sale investment securities	-	86	768	891
	-	86	768	1,677
Investment securities at fair value through profit or loss				
Equity Securities held-for-trading	-	-	-	786

Investment securities that have been designated at fair value through profit or loss are the Group's equity investments in certain entities held by its asset management and brokerage subsidiaries.

Available-for-sale investment securities

Quoted Equity securities with readily determinable fair values	-	86	768	891
Unquoted equity securities at cost	6	6	6	6
	6	92	774	897
Less specific allowances for impairment	(6)	(6)	(6)	(6)
Carrying Amount	-	86	768	891

Specific allowances for impairment

Balance at 1 January	6	6	6	6
Charge for the year	-	-	-	-
Balance at 31 December	6	6	6	6

Unquoted equity securities at cost

Securities Discount Company	6	6	6	6
	6	6	6	6

22. INVESTMENT IN ASSOCIATED COMPANIES

	The Bank		The Group	
	2011	2010	2011	2010
Ghana Leasing Company Ltd	407	407	1,553	1,614
Group's share of associated company's operating profit	-	-	-	(61)
	407	407	1,553	1,553
Less impairment loss	(407)	-	(1,553)	(393)
Carrying amount	-	407	-	1,160

The percentages of interests in Associated Companies are provided below:

Name	Nature of Business	Country of Incorporation	Percentage Interest
Ghana Leasing Company Limited	Leasing of Equipment	Ghana	39.9%

23. INVESTMENTS IN SUBSIDIARIES

The Principal Subsidiaries are:

Name	Nature of Business	Country of Incorporation	Amounts Invested	Percentage Interest
CAL Brokers Limited	Security Brokerage	Ghana	600	100
CAL Asset Management	Fund Management	Ghana	518	100
			<u>1,118</u>	

Investments in subsidiaries are stated at cost and comprise:

	The Bank		The Group	
	2011	2010	2011	2010
Investments in Subsidiaries	1,118	718	-	-

24. OTHER ASSETS

	The Bank		The Group	
	2011	2010	2011	2010
Sundry Debtors	4,738	5,167	5,471	5,562
Prepayments	2,440	2,771	2,440	2,771
	<u>7,178</u>	<u>7,938</u>	<u>7,911</u>	<u>8,333</u>

25. TAXATION

	The Bank			
	Balance 1/1/2011	Payments During the year	Charge for the year	Balance 31/12/2011
Income Tax				
1998 - 2010	1,556	(1,556)	-	-
2011	-	(7,395)	7,519	124
	<u>1,556</u>	<u>(8,951)</u>	<u>7,519</u>	<u>124</u>
Dividend Tax				
1997 - 2011	-	(35)	35	-
	<u>-</u>	<u>(35)</u>	<u>35</u>	<u>-</u>
National Fiscal Stabilisation levy				
2001 - 2010	3	(3)	-	-
2011	-	(1,142)	1,229	87
	<u>3</u>	<u>(1,145)</u>	<u>1,229</u>	<u>87</u>
Total	1,559	(10,131)	8,783	211

25. Taxation (continued)

	The Group			
	Balance 1/1/2011	Payments During the year	Charge for the year	Balance 31/12/2011
Income Tax				
1998 - 2010	1,649	(1,673)	-	(24)
2011		(7,552)	7,689	137
	1,649	(9,225)	7,689	113
Dividend Tax				
1997 - 2011	-	(35)	35	-
	-	(35)	35	-
National Fiscal Stabilisation levy				
2001 - 2010	8	(23)	-	(15)
2011	26	(1,168)	1,260	118
	34	(1,191)	1,260	103
Total	1,683	(10,451)	8,984	216

Income Tax Expense

Recognised in the income statement

	Note	The Bank		The Group	
		2011	2010	2011	2010
Current tax expense					
Current year		8,783	5,284	8,984	5,566
Deferred tax expense	26	(2,537)	(2,434)	(2,537)	(2,434)
Total income tax expense		6,246	2,850	6,447	3,132

Reconciliation of effective tax rate

	The Bank		The Group	
	2011	2010	2011	2010
Profit before income tax	24,584	11,660	23,352	12,598
Corporate Tax Rate	25%	25%	25%	25%
Income tax using the domestic corporate tax rate of 25%	6,146	2,915	5,838	3,150
Non-deductible expenses	3,567	950	4,046	950
Tax on items at different tax rate	(75)	(52)	(75)	(52)
Capital Allowances	(576)	(572)	(576)	(572)
Net Tax Effect on unrealised Gains/losses	(1,508)	1,460	(1,508)	1,460
Other	1,229	583	1,260	630
Deferred Tax	8,783	5,284	8,984	5,566
	(2,537)	(2,434)	(2,537)	(2,434)
Overall tax charge	6,246	2,850	6,447	3,132
Effective tax rate	25.4%	24.4%	27.6%	24.9%

26. DEFERRED TAXATION

	The Bank		The Group	
	2011	2010	2011	2010
Balance at 1st January	380	1,756	380	1,756
Origination/reversal of temporary differences:				
recognised in income statement	(2,537)	(2,434)	(2,537)	(2,434)
recognised in equity	(10)	1,058	(10)	1,058
Balance at 31st December	(2,167)	380	(2,167)	380

Recognised deferred tax assets and liabilities

Deferred tax liabilities are attributable to the following:

	2011			2010		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment	-	2,304	2,304	-	2,314	2,314
Others	-	(4,494)	(4,494)	-	(1,934)	(1,934)
Net tax (assets)/liabilities	-	(2,190)	(2,190)	-	380	380

Liabilities up to and including 2009 for the Bank has been agreed with the tax authorities where as liabilities up to and including 2002 for the subsidiaries have also been agreed. All liabilities are subject to agreement with the Internal Revenue Service.

Deferred tax arising from the revaluation of landed properties has been recognised directly in equity. Reversals of temporary differences attributable to this deferred tax liability are also recognised directly in equity.

27. PROPERTY, PLANT AND EQUIPMENT

	The Bank - 2011				
	Bank Premises	Furniture, Fixtures & Equipment	Motor Vehicles	Work in Progress	Total
Cost					
Balance at 1st January 2011	21,672	8,921	1,856	2,218	34,667
Additions	1,634	371	223	1,444	3,672
Disposals	-	-	(114)	-	(114)
Transfers	221	175	162	(558)	-
Balance at 31st December 2011	23,527	9,467	2,127	3,104	38,225
Accumulated Depreciation					
Balance at 1st January 2011	582	5,863	871	-	7,316
Charge for the year	718	1,212	297	-	2,227
Released on Disposal	-	-	(80)	-	(80)
Balance at 31st December 2011	1,300	7,075	1,088	-	9,463
Carrying Amount					
At 31st December 2011	22,227	2,392	1,039	3,104	28,762
At 31st December 2010	21,090	3,058	985	2,218	27,351

27. Property, Plant and Equipment (continued)

The Group - 2011

	Bank Premises	Furniture, Fixtures & Equipment	Motor Vehicles	Work in Progress	Total
Cost					
Cost					
Balance at 1st January 2011	21,672	8,985	1,856	2,218	34,731
Additions	1,634	377	223	1,444	3,678
Disposals	-	-	(114)	-	(114)
Transfers	221	175	162	(558)	-
Balance at 31st December 2011	23,527	9,537	2,127	3,104	38,295
Accumulated Depreciation					
Balance at 1st January 2011	582	5,900	871	-	7,353
Charge for the year	718	1,228	297	-	2,243
Released on Disposal	-	-	(80)	-	(80)
Balance at 31st December 2011	1,300	7,128	1,088	-	9,516
Net Book Value					
At 31st December 2011	22,227	2,409	1,039	3,104	28,779
At 31st December 2010	21,090	3,085	985	2,218	27,378

Leasehold Land and Buildings were professionally revalued on the basis of open market value for existing use by Messrs APEX VALUATION, SURVEYING & PROPERTY CONSULT Chartered Surveyors on 25th February, 2010.

	The Bank		The Group	
	2011	2010	2011	2010
Summary of Property, Plant and Equipment				
Gross Value	38,225	34,666	38,295	34,731
Accumulated depreciation	(9,463)	(7,315)	(9,516)	(7,352)
Net Book Value	28,762	27,351	28,779	27,379

Disposal of Property, Plant and Equipment

Profit on Disposal of Property, Plant and Equipment has been arrived at as follows:-

Cost	(114)	(78)	(114)	(78)
Accumulated Depreciation	80	78	80	78
Net Book Value	(34)	-	(34)	-
Disposal Proceeds	42	23	42	23
Profit on Disposals	8	23	8	23

28. INTANGIBLE ASSETS

	The Bank		The Group	
	2011	2010	2011	2010
Purchased Software Cost				
Balance at 1st January	935	618	1,377	1,060
Acquisitions	575	317	575	317
Balance at 31st December	1,510	935	1,952	1,377
Amortisation				
Balance at 1st January	602	378	892	519
Charge for the year	246	224	395	373
Balance at 31st December	848	602	1,287	892
Carrying Amount At 31st December	662	333	665	485

29. CUSTOMER DEPOSITS

	The Bank		The Group	
	2011	2010	2011	2010
Current Account	282,407	140,598	282,041	141,399
Time Deposits	264,670	123,101	287,410	129,313
Savings deposits	17,319	11,844	17,319	11,844
	564,396	275,543	586,770	282,556
Analysis by type of depositors				
Individual and other private enterprise	496,693	250,305	465,552	257,318
Public enterprises	67,703	25,238	121,218	25,238
	564,396	275,543	586,770	282,556

Twenty largest depositors to total deposit ratio is 45% (2010: 43%).

30. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Bank		The Group	
	2011	2010	2011	2010
Deposits from other banks	20,449	13,937	24,949	14,069

31. BORROWINGS

	The Bank		The Group	
	2011	2010	2011	2010
Long-term borrowings				
African Development Bank	14,476	22,333	14,476	22,333
Bank Of Ghana	229	299	229	299
DEG	6,834	10,570	6,834	10,570
Export Development And Investment Fund	581	713	581	713
Ghana International Bank	30,158	17,122	30,158	17,122
PROPARCO	25,744	12,596	25,744	12,596
	78,022	63,633	78,022	63,633
Short-term borrowings				
Export Development And Investment Fund	267	-	267	-
PROPARCO	477	-	477	-
DEG	2,263	-	2,263	-
African Development Bank	4,752	-	4,752	-
SSNIT Informal Sector Fund	-	356	-	356
National Health Insurance Council	-	17,116	-	17,116
Ghana International Bank	-	4,966	-	4,966
SSNIT	6,871	7,782	6,871	7,782
	14,630	30,220	14,630	30,220
Inter-bank borrowings				
Stanbic Bank Ghana Limited	-	5,052	-	5,052
SG - SSB Bank	-	5,053	-	5,053
Fidelity Bank Limited	-	5,052	-	5,052
	-	15,157	-	15,157
Carrying Amount	92,652	109,010	92,652	109,010

Long-term borrowings

- African Development Bank – This facility was granted for on-lending to the private sector. Interest is at a rate of 6 months US Libor plus 2.3% maturing in 2015.
- Bank of Ghana – This is a facility granted for on-lending to the private sector. The weighted average interest rate on this facility is 3.1% per annum maturing in 2014.
- DEG - This facility was granted for on-lending to the private sector and expiring in October 2015. Interest is at a rate of 6 months US Libor plus 2.5%
- Ghana International Bank – This facility was granted for on-lending to the private sector. Interest rate is at a rate of US Prime plus 2.5% per annum maturing in 2016.
- Proparco – Three long-term facilities granted for on-lending to the private sector and expiring between October 2014 and October 2018. Interest is at a rate of 6 months US Libor plus 2.5% per annum.
- Export Development And Investment Fund – This is a facility granted by the Export Development and Investment Fund to be extended to operators in the export sector. Interest is at a rate of 2.5% per annum.

Short-term borrowings

- SSNIT – These are several short-term facilities with maturity periods of up to one year. Interest rate is tied to the respective treasury bill/note rates ruling on the day of borrowing. The weighted average interest rate on these facilities is 12.1%.
- Export Development And Investment Fund - This is a portion of long-term facilities with maturity periods up to 2014. The interest rate on these facilities is 2.5% per annum.
- Proparco - This is a portion of long-term facility due in 2012. Interest is at a rate of 6 months US Libor plus 2.5% per annum
- DEG - This is a portion of long-term facility due in 2012. Interest is at a rate of 6 months US Libor plus 2.5% per annum
- African Development Bank - This is a portion of long-term facility due in 2012. Interest is at a rate of 6 months US Libor plus 2.3% per annum

Inter-bank borrowings

Inter-bank borrowings are at the inter-bank overnight rates prevailing on the date of the transactions from the various counter-parties.

32. ACCRUALS AND OTHER LIABILITIES

	The Bank		The Group	
	2011	2010	2011	2010
Creditors	7,152	6,124	7,706	6,417
Accruals	1,336	777	1,336	831
Recognised liability for Other Long-term Employee Benefit	453	365	453	365
Short-Term Employee benefits	56	60	56	60
Other liabilities	6,437	15,477	6,872	15,842
	15,434	22,803	16,423	23,515

Movement in the liability for defined benefit obligations

Liability for defined benefit obligations at 1st January	365	359	365	359
Benefits paid by the plan	(49)	(133)	(49)	(133)
Expense charged to income statement	137	139	137	139
Liability for defined benefit obligations at 31st December	453	365	453	365

Expenses recognised in profit or loss

Net actuarial losses/profits recognised during the year	70	(44)	70	(44)
Current service costs	2	112	2	112
Interest on obligation	65	71	65	71
	137	139	137	139

Actuarial assumptions

Principal assumptions at the reporting date (expressed in weighted averages)

	The Bank		The Group	
	2011	2010	2011	2010
Discount rate at 31st December	3.0%	5.0%	3.0%	5.0%
Future salary increases	3.0%	2.0%	3.0%	2.0%
Inflation rate	12.0%	15.0%	12.0%	15.0%

Assumptions regarding future mortality based on published statistics and mortality tables.

33. CAPITAL AND RESERVES

Stated Capital

in thousands of Ghana Cedis

	2011		2010	
	Number ('000)	Value	Number ('000)	Value
Authorised:				
Ordinary shares of no par value	1,000,000		1,000,000	
Issued:				
For cash	114,871	21,030	112,712	20,425
Transfer from Retained Earnings	-	6,695	-	6,695
Bonus issue	133,391	-	133,391	-
	248,262	27,725	246,103	27,120

There is no call or instalment unpaid on any share.

At 31st December 2011 the authorised share capital comprised 1 billion ordinary shares (2010: 1 billion) of no par value. All issued shares are fully paid for.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. All shares rank equally with regard to the Bank's residual assets.

Statutory Reserve Fund (The Bank and the Group)

in thousands of Ghana Cedis

	2011	2010
At 1st January	13,858	11,656
Transfer from Retained Earnings	4,584	2,202
At 31st December	18,442	13,858

Capital Surplus

in thousands of Ghana Cedis

	The Bank		The Group	
	2011	2010	2011	2010
Revaluation surplus	15,372	15,362	15,372	15,362
Bank's shares held by subsidiary	-	-	(5,535)	(138)
	15,372	15,362	9,837	15,224
Revaluation Surplus				
At 1st January	15,362	4,376	15,362	4,376
Revaluation surplus transferred	-	11,038	-	11,038
Depreciation releases on properties revalued	-	1,006	-	1,006
Deferred Tax on Revaluation	10	(1,058)	10	(1,058)
At 31st December	15,372	15,362	15,372	15,362

Deferred tax on revaluation of the Bank's leasehold land and buildings is recognised directly in equity.

33. Capital and Reserves (continued)

Other Reserves

(i) Share Options Reserves

The share options reserve is a non-distributable reserve where the fair value of the bank's equity share-based payments to employees and others providing similar services are temporarily warehoused until such a time that the amounts are transferred to stated capital after the payment of stamp duties.

(ii) Regulatory credit risk reserve

The regulatory credit risk reserve is a non-distributable reserve required by Bank of Ghana to account for differences between impairment loss on financial assets per IFRS and the specific and general impairment loss on loans and advances and contingent liabilities per the Central Bank's prudential guidelines.

(iii) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

Dividends

The following dividends were declared and paid by the Bank:

2011	2010
3,199	2,866

After 31st December 2011 the directors proposed a dividend per share of GH¢0.026 amounting to GH¢6.45 million in respect of 2011. The dividends have not been provided for in these financial statements and there are no income tax consequences.

Dividend and net assets per share are based on 248,261,549 (2010: 246,102,978) ordinary shares at the balance sheet date.

34. CONTINGENCIES AND COMMITMENTS

Letters of Credit, Guarantees and Indemnities

In common with banks, the group conducts business involving acceptances, guarantees, performance bonds and indemnities.

The majority of these facilities are offset by corresponding obligations of third parties. The group also holds certain securities in its own name on behalf of customers. The values of these securities are not recognised in the consolidated balance sheet.

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

Guarantees are generally written by a bank to support performance by a customer to third parties. The group will only be required to meet these obligations in the event of customer's default.

Contingencies and commitments not provided for in the financial statements as at 31st December 2011 in respect of the above amounted to GH¢125.1 million (2010: GH¢63.0 million), as detailed below:

	2011	2010
Letters of Credit	114,213	33,108
Guarantees and Indemnities	23,420	29,882
	137,633	62,990

The amount of unsecured contingencies and commitments in respect of these at 31st December 2011 was GH¢70.7 million (2010: GH¢47.6 million).

34. Contingencies And Commitments (Continued)

Capital Expenditure

Capital commitments not provided for in the financial statements as at 31st December 2011 was nil (2010: nil).

Pending Legal Claims

At the year end there were two legal cases pending against the bank. Should judgment go in favour of the plaintiffs, likely claims against the bank have been estimated at GH¢243,024 (2010: GH¢61, 856). No provisions have been made in the financial statements in respect of these amounts

Funds under management

The group provides custody, trustee, investment management and advisory services to third parties, which involve the group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

Investments and funds being managed by the Group on behalf of clients amounting to GH¢115.2 million (2010: GH¢56.2 million) have not been included in the balance sheet.

35. RELATED PARTY TRANSACTIONS

Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions, or one other party controls both.

Subsidiaries

Details of principal subsidiaries are shown in Note 24.

Associated Company

The Group provides certain banking and financial services to its associated company. These transactions are conducted on similar terms to third-party transactions.

Details of investments in associated company is provided in Note 23.

In aggregate, amounts included in the accounts are as follows:

	For the year ended and as at 31st December	
	2011	2010
Net Interest received	116	599
Loans and advances to customers	16,122	4,223
Customer accounts	114	12

There are no leasing transactions between related parties for 2011 and 2010

Transactions with Directors and Key Management Personnel

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of CAL Bank Limited (directly or indirectly) and comprise the Directors and Officers of CAL Bank Limited.

In the ordinary course of business, the group makes loans to companies where a Director or other member of key management personnel (or any connected person) is also a director or other member key management personnel (or any connected person) of CAL Bank Limited. These loans are made on substantially the same criteria and terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and does not involve more than the normal risk of collectibility or present other unfavourable features.

35. Related Party Transactions (Continued)

Details of transactions between directors and other key management personnel (and their connected persons) and the group are as follows:

	Directors, other Key Management Personnel and connected persons	
	2011	2010
Loans	16,090	4,115

Included in loans and advances is an amount of GH¢15.81 million (2010: GH¢4.00 million) granted to companies in which Directors have an interests.

No provisions have been recognised in respect of loans to directors or other members of key management personnel (or any connected person)

Interest rates charged on loans to staff are at rates below what would be charged in an arm's length transaction. These loans are secured over the assets financed of the respective borrowers.

No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at the period end.

Remuneration of Directors and other Key Management Personnel

The following information is presented in accordance with IAS 24 'Related Party Disclosure', which requires disclosure of the employee benefits of directors and other key management personnel.

	2011	2010
Salaries and other short-term benefits	1,066	1,087
Employer social security charges on emoluments	75	56
	1,141	1,143

Employee termination benefits

The Bank has contracts with some employees that entitles them to termination benefits.

36. DIRECTORS' SHAREHOLDINGS

The Directors named below held the following number of shares in the company at 31st December 2011

NAME OF DIRECTOR	No. of Shares	%
Frank Brako Adu Jnr.	7,433,876	2.99
Paarock Asuman Vanpercy	643,460	0.26
Philip Owiredu	430,658	0.17
Jim Brenner	296,025	0.12
Kobina Quansah	83,492	0.03
	8,887,511	3.58

37. ANALYSIS OF SHAREHOLDING AS AT 31ST DECEMBER 2011

	No. of Shareholders	Holders %	No. of Shares	% of Holding
1 - 1,000	18,940	78.69	10,176,583.00	4.10
1001 - 5,000	3,828	15.90	8,410,685.00	3.39
5001 - 10,000	525	2.18	3,939,821.00	1.59
10,001 - 20,000	320	1.33	4,554,020.00	1.83
20,001 - 30,000	143	0.59	3,511,931.00	1.41
30,001 - 40,000	52	0.22	1,801,253.00	0.73
40,001 - 50,000	42	0.17	1,945,756.00	0.78
Over 50,000	220	0.91	213,921,500.00	86.17
	24,070	100.00	248,261,549	100.00

Twenty Largest Shareholders

Shareholder	No. of Shares	% Holding
SOCIAL SECURITY AND NATIONAL INSURANCE TRUST	82,363,074	33.18%
CAL BROKERS EQUITY HOLDING	19,566,635	7.88%
MR DANIEL OFORI	13,455,045	5.42%
VANGUARD ASSURANCE COMPANY LIMITED	9,801,798	3.95%
SCBN/ BARCLAYS MAURITIUS RE KURA AFRICA FUND	8,602,200	3.46%
ADU JNR FRANK BRAKO	7,433,876	2.99%
SCBN/CITIBANK LONDON ROBECO AFRIKA FONDS N V	5,714,900	2.30%
SCBN/STANDCHART MAURITIUS RE PINEBRIDGE SUB-SAHARAN AFRICA EQUITY MASTER FUND LTD	3,700,000	1.49%
SCBN/SSB EATON VANCE TAX-MANAGED EMERGING MARKET FUND	3,266,254	1.32%
SCBN/STANDCHART MAURITIUS RE FLEMING AFRICA FUND LTD	3,248,171	1.31%
SCBN/BBPLC MAURITIUS RE AFRICAN	2,939,958	1.18%
COCOBOD END OF SERVICE BENEFIT SCHEME	2,773,848	1.12%
STD NOMS TVL PTY/BNYM/FRONTIER MARKET SELECT FUND L P	2,720,580	1.10%
ANSAH BENJAMIN FOSU	2,571,551	1.04%
SCBN/STATE STREET LOND C/O SSB BOSTRE RUSSELL		
INSTITUTIONAL FDS PLC - JYFU	2,499,800	1.01%
SCGN/JPMC THE FULCRUM AFRICA ALL CAP MASTER FUND	1,904,300	0.77%
SCBN/SSB EATON VANCE STRUCTURED EMERGING MARKET FUND	1,298,010	0.52%
DAMSEL/OTENG-GYASI ANTHONY	1,231,070	0.50%
SCBN/ELAC POLICYHOLDERS FUND	1,159,531	0.47%
SCBN/CITI NY ADVANCED SERIES TRUST-AST PARA EMG MKTS EQ PORT	1,140,075	0.46%
Top 20 Shareholders	177,390,676	71.45%
Others	70,870,873	28.55%
Grand Total	248,261,549	100.00%

38. STANDARDS NOT YET EFFECTIVE

Below is a list of standards in issue at 31st December 2011 that are effective for Annual Reporting Periods beginning after 1st, January 2012. The list highlights the effective date of requirements. Subsequent amendments to these standards and interpretations are not reflected below.

IFRS 9	Financial Instruments Issue date: November, 2009 Effective date: 1 January, 2013
IFRS 7	Financial Instruments: Disclosures-Amendments enhancing disclosures about offsetting of financial assets and financial liabilities Issue date: December 2011 Effective date: 1 January 2013
IFRS 7	Financial Instruments: Disclosures-Amendments requiring disclosures about the initial application of IFRS 9 Issue date: December 2011 Effective date: 1 January 2015
IFRS 9	Financial Instruments-Classification and measurement of financial assets Issue date: November 2009 Effective date: 1 January 2015(Mandatory application date amended December 2011)
IFRS 9	Financial Instruments- Accounting for financial liabilities and derecognition Issue date: October 2010 Effective date: 1 January 2015(Mandatory application date amended December 2011)
IFRS 10	Consolidated Financial Statements Issue date: May 2011 Effective date: 1 January 2013
IFRS 11	Joint Arrangements Issue date: May 2011 Effective date: 1 January 2013
IFRS 12	Disclosure of Interests in Other Entities Issue date: May 2011 Effective date: 1 January 2013
IFRS 13	Fair Value Measurement Issue date: May 2011 Effective date: 1 January 2013
IAS 1	Presentation of Financial Statements- Amendments to revise the way other comprehensive income is presented Issue date: June 2011 Effective date: 1 July 2012
IAS 12	Income Taxes- Limited scope amendment (recovery of underlying assets) Issue date: December 2010 Effective date: 1 January 2012
IAS 19	Employee Benefits- Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects Issue date: June 2011 Effective date: 1 January 2013
IAS 27	Consolidated and Separate Financial Statements- Reissued as IAS 27 Separate Financial Statements (as amended in 2011) Issue date: May 2011 Effective date: 1 January 2013
IAS 28	Investments In Associates- Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) Issue date: May 2011 Effective date: 1 January 2013
IAS 32	Financial Instruments: Presentation- Amendments to application guidance on the offsetting of financial assets and financial liabilities Issue date: December 2011 Effective date: 1 January 2014

BOARD RESOLUTIONS

The Board of Directors will be proposing the following resolutions, which will be put to the 2012 Annual General Meeting:

To Consider the 2011 Accounts and Reports

The Board shall propose for consideration the 2011 Accounts, and reports of the Directors and Auditors thereon, as a true and fair view of the state of affairs of the company for the year ended 31st December 2011.

To Declare a Dividend

The Directors recommend the payment of a dividend of GHC 0.026 per share for the year ended 31st December 2011.

To Authorise the Directors to Fix the fees of the Auditors

In accordance with Section 134(10) of the Companies Act, 1963 (Act 179), the Board will request that they be authorised to fix the fees of the auditors.

To Re-elect retiring Directors

The following Board members, Mrs. Leonora Awua-Kyerematen and Mr. James Brenner will retire in accordance with Section 298(a) of the Companies Act, 1963 (Act 179) and Regulation 78(a) of the Regulations of the company.

Mrs. Leonora Awua-Kyerematen and Mr. James Brenner who are eligible for re-election, have offered themselves to be re-elected as directors of the company.

To Determine an Increase in the Number of Directors on the Board and to Amend Regulation 73 of the Company's Regulations

At a meeting of the Board of Directors held on 18 April, 2012, Mr. Eduardo Gutierrez having consented in writing to be appointed as a director of the Bank, was nominated for appointment by the shareholders as a director of the Bank.

Consequently, the addition of Mr. Eduardo Gutierrez as a director and with the growth of the bank, there is the need to expand the board. This would require an amendment in Regulation 73 of the Company's Regulations to recognize the revision of the membership of the Board to ten (10) members.

Regulation 73 presently reads as follows:

"The number of Directors, not being less than six (6) and not exceeding ten (10), shall be appointed in accordance with an ordinary resolution of the members and until so determined shall be nine (9)."

It is now proposed that the said Regulation be amended to read as follows:

"The number of Directors, not being less than six (6) and not exceeding ten (10), shall be appointed in accordance with an ordinary resolution of the members and until so determined shall be ten (10)."

Resolution to Approve the Appointment of a New Board Member

The Board recommends to members to approve the appointment of Mr. Eduardo Gutierrez as a director of the Bank.

To approve directors' Remuneration

In accordance with Section 194 of the Companies Act, 1963 (Act 179), the Board will request that shareholders approve the remuneration of directors as disclosed in Note 13 of the Annual Report.

To approve the purchase of shares of the Company

The Board recommends to members to approve the buy-back of shares by the Company. The recommendation is a step towards the protection of shareholder value in the company. For the purpose of the company purchasing its own shares, the Board of Directors recommends for the approval and passage by the Annual General Meeting in accordance with Section 59 of the Companies Act, 1963 (Act 179) and Regulation 15 of the amended Regulations of the Company, the following resolution:

Resolution:

“That in accordance with Section 59 of the Companies Act, 1963 (Act 179) and Regulation 15 of the amended Regulations of the Company, approval be and is hereby given for the purchase by the Company of up to 10% of the issued share capital of the Company after the conclusion of the 2012 private placement exercise.”

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PROXY FORM

ANNUAL GENERAL MEETING to be held at 10.00 am on 24th May 2012 at Ghana College of Physicians and Surgeons, Ridge, Accra.

I/We
being a member(s) of CAL Bank Limited hereby appoint

*
or failing him/her the Chairman of the Meeting as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held on 24th May 2012.

Signed thisday of 2012

.....
Shareholder's Signature

Resolutions from the Board	For	Against
1. To receive the 2011 Accounts		
2. To declare the final dividend		
3. To authorise the Directors to fix the remuneration of the Auditors		
4. To re-elect Mrs. L. Awua-Kyerematen as a director of the Bank		
5. To re-elect Mr. James C. Brenner as a director of the Bank		
6. To increase the number of Directors to ten (10)		
7. To approve the appointment of Mr. Eduardo Gutierrez as a director of the Bank		
8. To approve directors' remuneration		
9. To approve the purchase of shares of the Company		
Please indicate with an 'X' in the appropriate box how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed the proxy will vote or abstain from voting at his discretion		

THIS PROXY FORM SHOULD NOT BE SENT TO THE REGISTRAR IF THE MEMBER WILL BE ATTENDING THE MEETING.

Notes:

1. A Member (Shareholder) who is unable to attend the Annual General Meeting is allowed by law to vote by proxy. The above Proxy Form has been prepared to enable you to exercise your vote if you cannot personally attend.
2. Provision has been made on the Form for the Chairman of the meeting to act as your proxy but, if you wish, you may insert in the blank space marked * the name of any person whether a Member of the Company or not, who will attend the Meeting and vote on your behalf instead of the Chairman of the Meeting.
3. If executed by a Corporation, the Proxy Form should bear its Common Seal or be signed on its behalf by a Director of the Corporation.
4. Please sign the above Proxy Form and deliver it so as to reach the Registrar, Computershare Pan Africa Ghana Limited, 23 Eleventh lane, Osu R.E., P.O. Box CT 2215 Cantonments, Accra not later than 10.00 am on Tuesday 22nd May 2012.

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Your kids' future involves taking smart decisions today whilst they are still in their teens. If your kids are between 13 and 17 years old, the CAL Teen Account is just what they need.

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LEGON BRANCH

RING ROAD CENTRAL BRANCH

RING ROAD WEST BRANCH

SPINTEX ROAD BRANCH

SUAME BRANCH

TAKORADI HARBOUR BRANCH

TAKORADI MARKET CIRCLE BRANCH

TARKWA BRANCH

TEMA COMMUNITY 1 BRANCH

TEMA MAIN BRANCH

WEIJA BRANCH

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