



**MERCHANT**

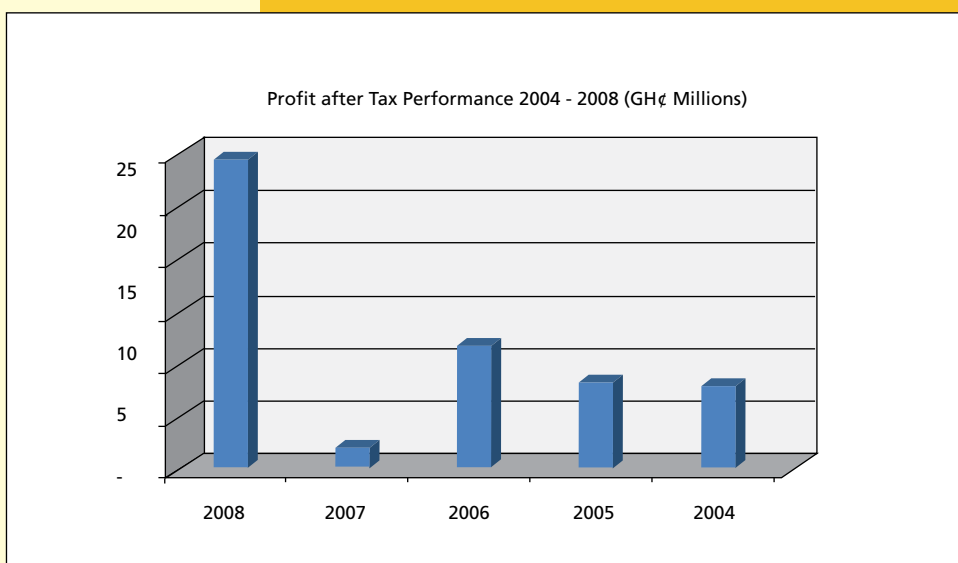
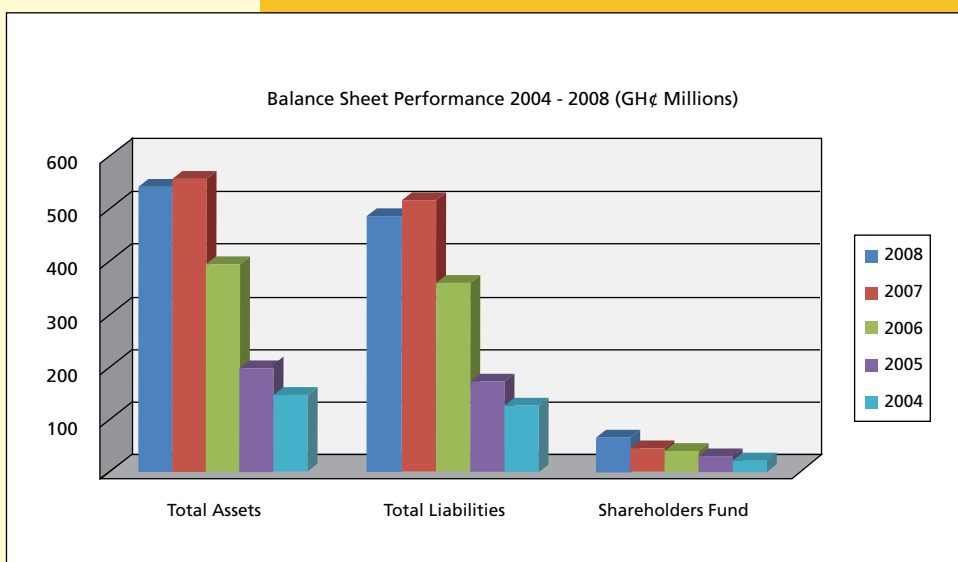
My Bank, My Way.

**2008**  
**ANNUAL REPORT**

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# Financial highlights





Our aim is  
to offer our

**customers**

clear and  
tangible reasons  
why they should  
deal with us



# Brief History

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Merchant Bank Ghana Limited (MBG) provides a comprehensive range of banking services to its customers and clients, using its worldwide network of correspondent banks and their agencies. The range of MBG's banking services includes:

- Corporate and Institutional Banking
- Business Banking for Small & Medium Enterprises (SMEs)
- Personal Banking- for individuals and High Net-worth customers
- Investment Banking
- Treasury and Money and Capital Market Operations
- Trade Finance and
- Foreign Remittances

The Bank has two wholly owned specialised subsidiaries namely;

- Merban Investment Holdings Limited (MIHL) - dealing in Funds/Portfolio Management, Money Market Operations, Investment Advisory Services, Trustee Services and Custodial and Nominee Services;
- Merban Stockbrokers Limited (MSL) - dealing in Brokerage Services, Underwriting of new Issues, and Investor Search & Joint Venture Arrangement.

The MBG group also has the following additional specialist services tailored to meet its customers' needs:

- Registrar Services - maintaining records of Shareholders and Creditors, facilitating dividend payments to Shareholders; and
- Corporate Finance & Advisory Services (CFAS)- handling Corporate restructuring, Joint Venture Arrangement, Company Valuation, Project Finance; Funds Sourcing,

Issuing House Services and General Financial Advisory Services.

- Merban Finance & Leasing Company Limited (MFL) - dealing in Hire Purchase transactions and Leasing.

The bank has taken advantage of the opportunities offered by the introduction of Universal Banking Business in Ghana and MBG has fully developed all three areas of universal banking namely; Retail, Corporate and Investment.

The branch network of Merchant Bank currently stands at 19 with plans afoot to expand to 25 by 2009.

## MAJOR ACHIEVEMENTS

The bank has over its 30 years of existence achieved a lot, notable amongst which are:

- The establishment of hire purchase and leasing business in Ghana.
- The promotion and formation of the first Discount House in Ghana.
- Handled the share issues of 8 out of 10 companies when there was no Stock Exchange in Ghana in the 1970's.
- The initiation of the preparatory work in the establishment of the Ghana Stock Exchange (GSE).
- The sponsorship and registrar of about 50% of the companies on the GSE.
- The arrangement of the formation of the mortgage company (which is now the HFC Bank Limited)
- Served as an advisory body during the acquisition of SSB Bank by Societe' Generale; and during the merger of Ashanti/Anglogold.

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## Mission

As a universal Bank in Ghana, Merchant Bank (Ghana) limited is committed to providing quality financial products and services to our customers across our chosen market and maintaining our place as a leading and preferred financial institution in Ghana.



## Vision

To become the leading, the most influential and best performing financial service provider in Ghana by 2010 and one of the leading banks in West Africa by 2015

## Our Core Values

- **Performance-oriented** - we have a performance oriented organisation
- **Unshakeable Facts** - all our decisions and actions must be based on unshakeable facts
- **Competitive Urgency** - we must at all times conduct our business with a sense of competitive urgency
- **High Ethical Standards** - we must maintain high ethical standards in our dealings with both internal and external relationships

# Directors, Officials and Registered Office

## DIRECTORS:

S. Kwami Tetteh	Chairman
Paul Baah - Sackey	Acting Managing Director
Dr. Kwame Osei Owusu	Executive Director
Sam A.K Acquaye	Executive Director (from Nov 2008)
Kofi Issiw Andah	Director
Dr Anthony Akoto Osei	Director
Franklin O. Asafo - Adjei	Director
Elizabeth Villars (Mrs)	Director
Nana Fredua Agyeman Pambuo I	Director (from Feb 2008)

## FINANCE SUB-COMMITTEE

S. Kwami Tetteh	Chairman
Kofi Issiw Andah	Member
Franklin O. Asafo - Adjei	Member
Nana Fredua Agyeman Pambuo I	Member
Dr. Kwame Osei Owusu	Member
Sam A.K Acquaye	Member

## AUDIT SUB-COMMITTEE

Franklin O. Asafo - Adjei	Chairman
Kofi Issiw Andah	Member
Nana Fredua Agyeman Pambuo I	Member

## Directors, Officials and Registered Office cont'd

HUMAN RESOURCE SUB-COMMITTEE		
	Kofi Issiw Andah	Chairman
	Elizabeth Villars (Mrs)	Member
	Franklin O. Asafo - Adjei	Member
RISK OVERSIGHT COMMITTEE		
	Elizabeth Villars (Mrs)	Chairman
	Kofi Issiw Andah	Member
	Franklin O. Asafo - Adjei	Member
	Nana Fredua Agyeman Pambuo I	Member
	Dr. Kwame Osei Owusu	Member
	Sam A.K Acquaye	Member
SOLICITOR SECRETARY		
	Rachel Baddoo (Mrs)	
REGISTERED OFFICE:		
	Merban House 44 Kwame Nkrumah Avenue P.O.Box GP 401 Accra	
AUDITORS:		
	Deloitte & Touche Chartered Accountants P. O. Box GP 453 Accra	

# Board of Directors



**Kofi Issiw Andah**  
NON-EXECUTIVE DIRECTOR

Mr. Kofi Issiw Andah is a seasoned management consultant and currently the Managing Director of Gibraltar Company Limited, a private commodities trading company. Kofi helped set up General Leasing and Finance Company Limited and was appointed the first managing director where he served until 2003. He has considerable experience as a non-executive director in a number of private sector organizations.

He joined the board in March 2007. Kofi holds a BBA (Accounting) and a Masters in Management from the Sorbonne in Paris.



**Nana Fredua Agyeman Pambuo I**  
NON-EXECUTIVE DIRECTOR

Nana Fredua Agyeman Pambuo I is an accomplished finance and investment banker with very rich experience. Nana runs his own finance business in Ghana and is a board member of SSNIT, Ghana Supply Company and other State and Public sector institutions.

He also chairs the board of the SSNIT Informal sector Fund. He was appointed to the board in November 2008.



**Solomon Kwami Tetteh**  
CHAIRMAN

Mr. Kwami Tetteh is a seasoned lawyer and runs a law firm, Tetteh & Co in Accra Ghana. He is the immediate past president of the Ghana Bar Association and also the vice president of the Ghana Arbitration Centre.

Kwami was appointed as Chairman of the Board of Directors on April 1, 2005.



**Sam A. K. Acquaye**  
EXECUTIVE DIRECTOR

Mr. Sam A.K. Acquaye is a seasoned accountant with over thirty years experience. He is currently the Executive Director of Finance of the bank. Before joining the bank, he had worked in various management positions with an account firm, Agricultural Development Bank, SSNIT and Standard Chartered Bank.

Sam joined the board in November 2008 and holds an MBA (Finance) from Manchester Business School, UK and is a Chartered Accountant (ICA Ghana)



**Paul Baah-Sackey**  
EXECUTIVE DIRECTOR

Mr. Paul Baah-Sackey is a seasoned banker with experience spanning banking operations, marketing and investment banking. He became the acting managing director for the year under review.

Paul holds a B.A (Hons) Dip.Ed from the University of Cape Coast as well as an MBA from Leicester University, UK. He is an associate of the Chartered Institute of Bankers



**Dr. Kwame Osei-Owusu**  
EXECUTIVE DIRECTOR  
(CURRENT AG. MANAGING DIRECTOR)

Dr. Kwame Osei-Owusu is a seasoned banker with over 31 years banking experience covering Banking Operations, Treasury, Credit Management, Branch Management and International Banking Operations. He is currently the Acting Managing Director. He joined the bank in 1999 after over twenty years experience with the Agricultural Development Bank.

Kwame holds a BSc Administration from the University of Ghana Business School, a Graduate Diploma in Management, Graduate Diploma in Operations and Payment, an MBA (Finance) and a Doctorate in Management from Saint Clement University in Australia



**Mrs. Elizabeth Villars**  
NON-EXECUTIVE DIRECTOR

Mrs. Elizabeth Villars is a Systems Analyst, Computer programmer and an outstanding industrialist with rich and extensive experience serving as non-executive director of various corporate boards. Elizabeth is currently the Managing Director of Camelot Ghana Limited, a computer solutions and security printing company which now has a branch in Nigeria.

She recently held a very influential position of President of the Association of Ghana Industries, a powerful industry lobby which advises governments on various industry issues.

Elizabeth joined the board in October 2004.



**Dr. Anthony Akoto Osei**  
NON-EXECUTIVE DIRECTOR

Dr. Anthony Akoto Osei is a seasoned economist with several years of experience. Anthony worked as an Associate Professor at Dillard University in the USA, a research fellow at the Centre for Policy Analysis (Ghana) and as special advisor to the Minister of Economic Planning.

He is a member of the board of SSNIT and serves as Chairman of SSNIT Investment Committee.

Dr. Akoto Osei obtained his PhD in Economics in 1987.



**Franklin Owusu Asafo-Adjei**  
NON-EXECUTIVE DIRECTOR

Mr. Franklin Owusu Asafo-Adjei is an experienced Chartered Accountant. He is currently the Deputy Managing Director/ Finance & Administration of the State Insurance Company of Ghana.

Prior to this appointment he was the Audit Manager of Ikam Limited and Financial Controller of Royal Commodities.

Franklin holds a B.Sc. (Admin) and an MBA from the University of Ghana, Legon. He is also a Chartered Accountant by profession with the following qualification: FCCA and CA (Ghana).



**Solomon Kwami Tetteh**  
Chairman

# Chairman's Statement - 2008

## INTRODUCTION

Ghana witnessed in 2008, challenging political and economic events in terms of the General Elections and the effects of the global financial crisis including the unprecedented increase in the price of crude oil on the international markets and the associated increase in prices of petroleum products on the domestic front. These events had widespread effects on governmental fiscal policy, impacting negatively on both the national budget and the trade balance.

Merchant Bank operated in 2008 under this difficult terrain and your Bank was able to withstand these adverse conditions to record an overall impressive performance given below in the financial highlights.

## FINANCIAL HIGHLIGHTS:

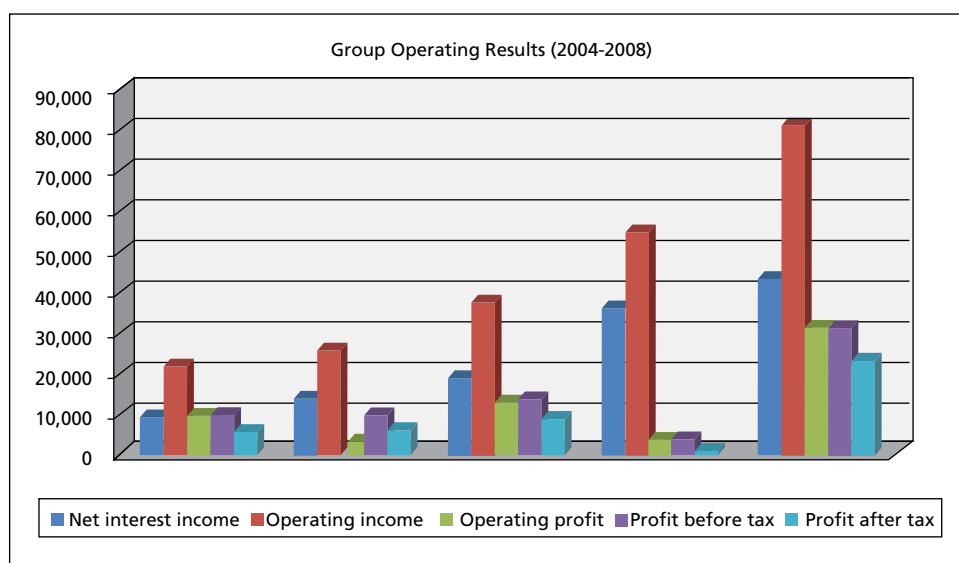
Total Assets of the group fell 2% in the year 2008. This could be attributed to substantial fall in cash and balances with Bank of Ghana, Government Securities and amounts due from other banks and financial institutions. Loans

and Advances to Customers on the other hand increased by 9% over the 2007 figure. Deposits slightly dipped by 1% from GH¢320.6 million in 2007 to GH¢317.1 million as at the end of 2008. Notwithstanding this development, the group continued with its strong growth in terms of profitability which has been witnessed over the past five years.

I am happy to inform you that at the end of the year 2008, the Bank posted profits after tax of GH¢24.01 million and this represents an increase of 2,079.5% over profits after tax in 2007 which stood at a restated amount of GH¢1.1 million due to adoption of International Financial Reporting Standards. In 2009, the bank intends to grow and strengthen its operations in order to further improve upon this performance.

## SUBSIDIARIES:

The performances of our subsidiaries, Merban Investment Holdings Limited and Merban Stockbrokers Limited were exemplary in 2008 both increasing their net worth by 33% and 12% respectively. The restructuring exercise that has started within the group will be extended



## Chairman's Statement - 2008 cont'd

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to MIHL and MSL to further strengthen their operations. MIHL will also be encouraged to seek higher yielding investments to improve future profitability.

### ECONOMIC ENVIRONMENT IN 2008

The world financial crisis which started in 2007 deepened in 2008 with the outlook for emerging and other developing economies deteriorating rapidly. The year witnessed the collapse of major financial institutions, plunge in stock markets across the globe and a credit freeze. Commodity prices were very volatile with surges in the price of most commodities in the first half of 2008. The second half of 2008 however saw a reversal in this trend as the price of crude oil for instance fell by almost 60% from its peak in July 2008.

Developing countries like ours initially felt shielded from the crisis as mortgage markets were not that sophisticated. However other sources of risks such as a cut back on foreign investments and remittances have emerged, posing challenges to the growth outlook of these countries.

Headline inflation increased consistently in the first seven months of the year from 12.7% to 18.4% at the end of July. Subsequently it fell gradually until a rate of 17.3% in October after which it resumed its ascendancy to close the year at 18.1%. In line with the rising inflation, the Bank of Ghana increased its key policy rate, the prime rate from 13.5% at the beginning of the year to 17% by the close of the year.

Intense pressure both from the global and local economic fronts is expected in the coming year and Merchant Bank has prepared appropriate strategies designed to cushion the bank against the knock-on effect from the global economic crisis and to maintain our competitive advantage and continuous profitability in the industry.

The market for Government of Ghana Securities saw an increasing trend in interest rates in the year 2008. Interest rate on the 91-Day Bill increased from 10.56% to 24.67% while that of the 182-Day Bill increased from 10.54% to 26.30% over the course of the year. Similarly, rates on the 1-Year Note and the 2-Year Fixed Note increased from 12.30% and 12.80% to 20.0% and 21.0% respectively.

The economy as a whole faced numerous challenges in the year 2008 with spill over effects to most sectors. However Merchant Bank continues to adopt industry best practices in order to maximize shareholder wealth.

### THE BANKING INDUSTRY:

The year 2008 saw the continuation of the intense competition that has characterized the banking industry. Competition was exceptionally strong in the areas of branch expansion, new product development and technology. The industry as a whole remained fairly liquid which was characterized by a strong capital adequacy ratio.

It is expected that all the foreign owned banks will meet the new Bank of Ghana minimum capital requirement by the end of the year 2009. Merchant Bank will continue to explore all avenues at their disposal in order to meet the new capital requirements in an earlier than stipulated time frame and so as to be able to undertake larger ticket transactions.

### CORPORATE GOVERNANCE

The Board of Directors of Merchant Bank has always aimed at ensuring the long term maximization of shareholders value through appropriate corporate governance policies and procedures.

## Chairman's Statement - 2008 cont'd

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In this direction, the Board will continuously update our corporate governance principles and policies to bring it in line with internationally accepted standards in order to enhance the performance of the Bank.

In addition to performing its duties effectively and efficiently with the Bank, the Board has undertaken to implement a restructuring exercise aimed at placing the Bank on a superior footing to compete favorably on the domestic scene and beyond. Thus there has been a high focus on strengthening the risk culture within the operations of the Bank through the establishment of a solid Credit Risk Department and enhanced Risk Management and Compliance Unit. The Board believes that these developments fall in line with our commitment at the beginning of the year to reinforce the risk management culture within the bank while ensuring high compliance with regulatory requirements.

### STAFF

The group in the coming year will be rolling out a series of program and activities intended to properly align staff to their functions in a bid to maximize the potential of all staff of the bank. It is believed that by the end of the exercise, the bank will be parading highly dedicated, well trained and highly motivated staff with the responsibility of taking the bank to a higher level of competitiveness.

### FUTURE PROSPECTS

Merchant Bank will continue to embrace superior work culture and ethics at all times in its business endeavors. The administrative reforms that began in the early part of 2008 have started to yield results. Included in this has been the successful restructuring of major

operations of the bank with the full support of the board. The board intends to encourage management in the coming year to continue assessing the current operations of the bank with a view to adopting better and improved ways of doing business. The bank will also strive to stay ahead of the competition by continuing with the branch expansion project aimed at bringing our services closer to the customer. The future holds bright for Merchant Bank and we shall take advantage of state of the art technology to enhance our operations and processes.

### CONCLUSION

The Board of Merchant Bank extends its sincerest appreciation to our shareholders and customers for their loyalty, continuing support and commitment to see Merchant Bank excel in their area of operation. Their contribution and encouragement have been vital in our success story over the years.

The board also wishes to express its gratitude to the Management of the Bank for displaying exceptional leadership qualities and exhibited high technical knowledge needed to meet the challenges of the competitive era. The staff of the bank deserves our goodwill and thanks for their loyalty and preparedness to see the Bank succeed and strategically position itself on the competitive ladder. Both Management and Staff deserve a special commendation for a brilliant performance. Finally I will extend a special thanks to my colleagues on the board for their useful insights and interventions that has led Merchant Bank to move scores higher than we started in 2008.

*Solomon Kwami Tetteh*  
Board Chairman

# Banking your Way



**MERCHANT**

My Bank, My Way.

“

The Bank's  
net interest  
income grew

by **18.7%**

compared  
to 2007 to  
end 2008 at

**GH¢43.47**  
million

”



**Dr. Kwame Osei-Owusu**  
Ag. Managing Director

# Ag. Managing Director's Report

## INTRODUCTION

The events of the past twelve months have drastically shaped the focus of the Banking Industry leading to the major players adopting strategies that are aimed at minimizing the effects of especially the global financial crisis. At Merchant Bank, our strategic direction is designed to be unique in order to take advantage of local opportunities as the international community comes to terms with the crisis.

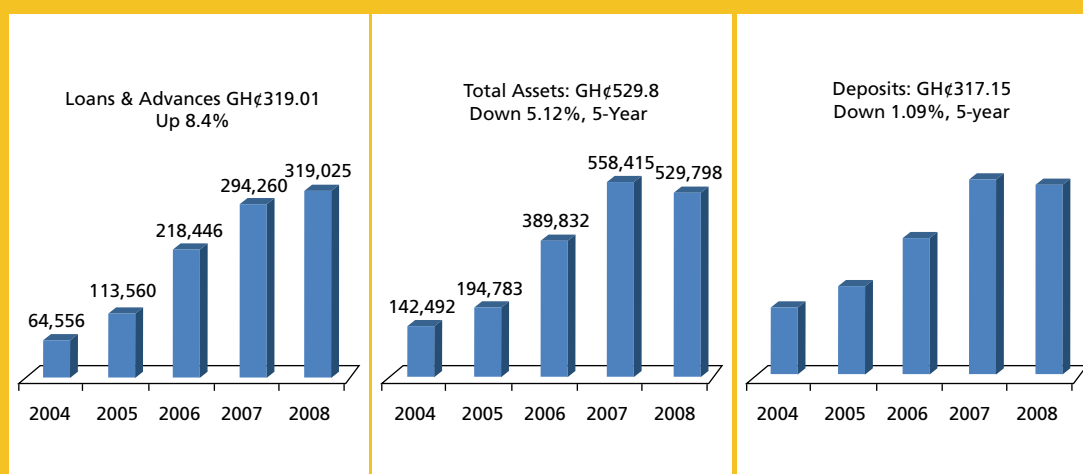
In the year under review, mortgage crisis that started in the US degenerated into a full blown global financial crisis. While crude oil prices ascended to record highs on the international market, inflation and the exchange rate of the cedi on the domestic front continued to deteriorate.

Given the fact that Ghana is not immune to the ongoing international shocks, Merchant Bank put in place internal mechanisms aimed at keeping our profitability intact which has resulted in an unprecedented level of performance which I am happy to present to you.

## FINANCIAL PERFORMANCE HIGHLIGHTS

It is informative to note that the Institute of Chartered Accountants (Ghana) in conjunction with the Bank of Ghana mandated all financial institutions to prepare financial statements in accordance with requirements of the International Reporting Standards (IFRS). This requirement has been fully complied with, which has necessitated the restating of the Banks financial results for the year ended 31st December 2007.

## BALANCE SHEET



# Ag. Managing Director's Report cont'd

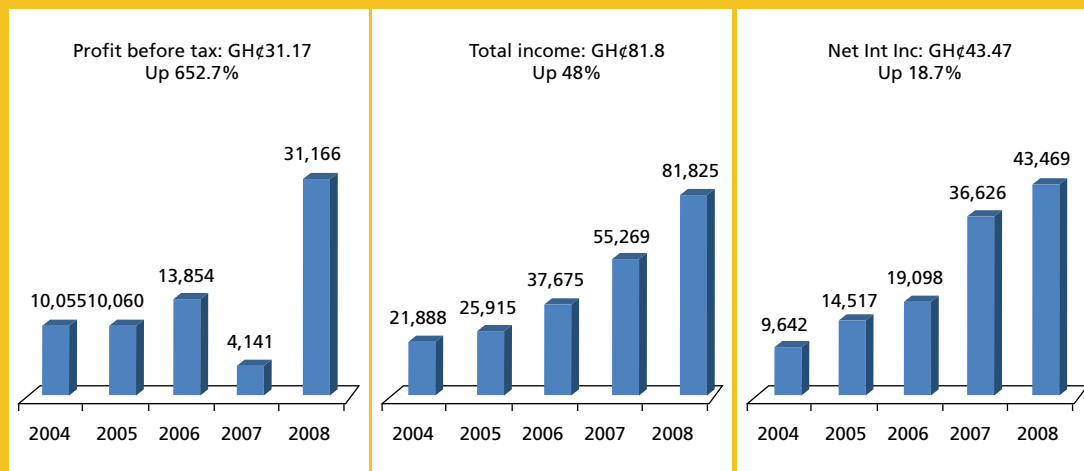
## PROFIT AND LOSS ACCOUNTS

The Bank's net interest income grew by 18.7% compared to 2007 to end 2008 at GH¢43.47 million. A significant growth of 374.1% occurred in other operating income made up largely of exchange gains and treasury trading. This was slightly offset by a decline in Fees and Commissions which fell by 12.5% to GH¢11.3 million from GH¢12.9 million in 2007. Operating income thus stood at GH¢81.8 million, recording a growth rate of 48% compared to that achieved in 2007. Operating expense on the other hand increased by 20.2% from GH¢25.9 million in 2007 to GH¢31.2 million at the end of 2008. These developments resulted in operating profit for the year at GH¢31.17 million, a growth rate of 661.1% while profit after tax increased significantly by 2,079.5% to GH¢24.01 million. This increase is attributable to the migration to IFRS compliant financial statements in which the bank had to increase

its charge for impairment recorded for 2007 thereby reducing significantly profit after tax declared at the end of year 2007.

## ASSETS

In our quest to cautiously grow our assets, the bank was able to reduce its total assets by 2% to GH¢550.9 million through a modest growth of 9% in our loans and advances. The loans and advances portfolio thus reached GH¢308.6 million by the end of the year compared to GH¢283.2 million as at the end of 2007. In line with keeping a healthy loan book, monitoring and recovery activities were intensified in 2008 with the aim of gradually reducing the non-performing loan ratio. In addition, the risk concentration of our loan portfolio was reduced as the fifty largest exposures which made up 74% of total exposures in 2007 were reduced to 66.2% thus spreading the risk over a larger number of customers.



## Ag. Managing Director's Report cont'd

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Merchant Bank continued to strongly support the manufacturing sector with total loans and advances extended to the sector making up the largest percentage of 21% of total loan portfolio in 2008 while the commerce and finance sector accounted for 17%. The Bank is gradually increasing loans and advances to the agricultural sector mindful of the risk inherent in the sector. This is evident by the fact that loans and advances to the sector increased by 178.3% to GH¢8.4 million from GH¢3.0 million in 2007 which constitutes 2% of the total portfolio.

### LIABILITIES AND SHAREHOLDER'S FUND

Customer deposits constituted the main funding source for the Bank in 2008. There was a slight decline of 1% in this component of liabilities from GH¢320.6 million in 2007 to GH¢317.15 million at the end of the year under review. As at the end of 2008, customer deposits comprised current account balances representing 63.92%, time deposits, 32.21% and savings accounts balances, 3.88%. The decline in customer deposits occurred mainly through a decline in current account balances of 11.02% while time deposits and saving account balances increased by 23.15% and 31.08% respectively compared to 2007.

As at the end of 2008, the group's consolidated shareholders' equity amounted to GH¢59.4 million, an increase of 50% compared to end of 2007. The improved capital position came about as a result of increase in the statutory reserves fund by 31% to GH¢12.05 million and a 257% increase in stated capital from GH¢7.0 million to GH¢25.0 million. The increase in stated capital was funded through a reduction in income surplus, accounting for the 8% decline compared to the end of 2007. Merchant Bank intends to grow its capital above the new Bank of Ghana requirement in the course of 2009.

### GOOD CORPORATE GOVERNANCE

The Board of Directors of Merchant Bank acts at all times under best practice corporate governance principles aimed at maximizing shareholder value. In addition, the Board is strongly involved in reviewing the long term strategy of the Bank with a view to achieving a competitive advantage in the industry. Risk management in the bank is also at the heart of major deliberations at board level signifying the importance that the board attaches to risk management procedures.

The year 2008 saw the board exercising its functions of safeguarding assets, accounting systems and practices, internal control processes as well as the preparation of accurate financial statements through its audit sub-committee. The board intends to intensify its supervisory functions in 2009.

In a bid to assert their independence, and in consonance with good corporate governance principles, a substantial number of board members are non-executives of the Bank. Meanwhile, the Board met regularly in 2008 and ensured that all members were present both at board meeting and at individual committee levels.

### CORPORATE SOCIAL RESPONSIBILITY

Merchant Bank in 2008 did not relent in giving back to society as contained in our Corporate Social Responsibility Policy. To this end the following Corporate Social Responsibility activities which run through support for education, national events, support for the needy and health were undertaken in 2008.

- The Bank made a donation towards the Otumfuo Education Fund.
- We continued to give financial support to the University of Ghana Business School.

## Ag. Managing Director's Report cont'd

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- As part of our commitment to educate the public on available investment opportunities in the economy, the bank lends its support to a televised program, Investment Digest
- There was also a donation towards the 24th National Farmers Day Celebration.
- The Bank donated amounts for the Ghana National Trust Fund, Helpage Ghana, Suhum Orphanage and Joy FM Needy Project in furtherance of their noble objectives.
- On health related social responsibility activities, the Bank supported the Physiotherapy Department of the Korle Bu Teaching Hospital as well as making a donation to the Ghana College of Physicians and Surgeons.
- Establishment of a risk management outfit for effective monitoring of the bank's risk profile
- Initiation of steps to address the mismatch in the Foreign Currency Balance Sheet.
- As a result of the strong adherence for the objectives that we set ourselves, the following are some achievements chalked in 2008:
- The Achimota Branch was added to our branch network as part of our branch expansion programme to bring the number of branches to fifteen by the close of the year. The year 2009 will see more branches being opened especially in densely populated business areas rife with SME activities. We intend to achieve a total branch network of 25 by the close of 2009.

The Bank will continue to expand its corporate social responsibility activities as we want to ensure an improved well being for the people that we live with. We will be open to support other activities that benefit the entire economy and bring positive influence on its populace.

### MAJOR DEVELOPMENTS IN 2008

The major areas of focus for the bank in 2008 were as follows:

- Reviewing and overhauling of the governance structures
- Expansion of branch network to broaden the deposit base of the bank.
- Improvement of the Credit Administration process
- Improvement of the bank's liquidity management process to ensure compliance with regulatory requirements.
- An agency was opened on the premises of the Korle-Bu Teaching Hospital to enhance the bank's revenue collection activities at the hospital.
- We officially launched our operations with Moneygram in the year under review.
- The Bank was selected as one of five banks to run the new payment system, e-zwich, on a pilot basis. To this end, training programmes were organized for all stakeholders in the new payment system while our branches started issuing the e-zwich smartcard to customers.
- The Bank hosted a number of our correspondent banks to further deepen our relationships with them and continued to enter into new relationships with others. We believe that these improved business relationships with our correspondent

## Ag. Managing Director's Report cont'd

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banks will lead to the provision of better credit lines and trade finance businesses.

- Implementation of International Financial Reporting Standards in the Bank took off in the year under review. In a bid to achieve a broad based group for the implementation process, the project team was made up of representatives from all departments and business units while Deloitte & Touche were employed as consultants. The Bank thus produced full compliant financial statements for the year 2008.

### STAFF ISSUES AND DEVELOPMENT:

Human resource issues will be at the heart of management policy in 2009. The Human Resource Department will be expected to continue its policy of attracting and retaining highly qualified staff with the necessary pedigree for the future progress of the Bank. In 2008, a comprehensive analysis and evaluation of all jobs and roles was conducted with the objective of ensuring that jobs of similar content are properly placed. The bank also initiated a review of the performance management system to objectively align performance to reward.

These initiatives, coupled with the continuous review of staff functions, rotation programmes and the use of productivity based incentive packages vis-à-vis profit sharing will be pursued in 2009 with the aim of instilling in staff a maximum sense of fulfillment on their jobs.

### TRAINING

Management continues to attach high importance to the training of our staff to achieve the necessary skills to enable them perform optimally in the job place. In 2008 numerous training programmes were organised for staff both locally and internationally to keep staff abreast with latest knowledge and best

practices in the banking industry. Management intends to create a new department, Human Resource Development Department with the responsibility of identifying training needs of staff of the bank and instituting relevant training programmes aimed at upgrading skills and improving performance. The department will also be tasked with instituting career development schemes for staff development and progression as well as implementing succession planning for both the short and long terms.

### OUTLOOK FOR 2009

The plan for MBG to merge with The Trust Bank (TTB) is ongoing and we will follow the programme outlined by the transaction advisor to ensure successful completion of the exercise in 2009. While attending to the merger programme, we shall keep an eye on the other objectives of the bank for 2009 to enable us complete the restructuring exercise which started in 2008 and also take advantage of the many business opportunities that we foresee in 2009.

In addition, major operational objectives that we intend to undertake in the year 2009 will be as follows:

- Introduce strategies to enhance our fees and commission earnings.
- Implement the new Branch Structure and Grading
- Develop new liability products for deposit mobilization purposes.
- Implement the proposals of the Human Resource Consultants.
- Open new branches at strategic locations to support retail branches / agencies.

## Ag. Managing Director's Report cont'd

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- Gradually reduce overdraft exposures of the bank.
- Take the necessary steps to ensure the reduction of the bank's cost of funds.
- Reduce the Advances to Deposit ratio.
- Source for medium term funds and introduce other measures to correct the Foreign Currencies Balance Sheet mismatch.
- Increase the flow of forex to the bank to support Trade Services customers.
- Re-issue the shares in Treasury.
- Address the emerging issues confronting banks arising from the global financial crisis.

### OUTLOOK - BEYOND 2009

Beyond 2009, the Bank will be expected to have gradually achieved the results from implementing the recommendations of the Human Resource Consultant on the job evaluation and placement process. We will be bracing ourselves up to take advantage of any favorable environment in the future as we

are committed to turning ourselves into a very strong brand on the local scene and beyond. The opportunities opened to us are endless, thus we will be counting on the determination of both the management and staff of the bank to take the bank onto the next level of our growth process.

### ACKNOWLEDGEMENTS:

As we begin the year 2009, I wish to acknowledge the enormous contribution made by our loyal customers in contributing to our success. We believe that the exceptional services that we have provided to you to make your business a success will be overriding factors why you will continue to do business with us in 2009. As our promise to you always, we will at all times strive to exceed your expectations and support your businesses to grow. Our profound gratitude goes to the Shareholders and Board of Directors of the Bank for their enormous support in 2008. The management and staff of Merchant Bank deserve a pat on their backs for their dedication and willingness to embrace new management initiatives which has enabled us to realize the results that we see here today.

*Dr. Kwame Osei-Owusu*  
Ag. Managing Director

**NOW at**

*Osu*

**MERCHANT BANK**

**REACHING  
CLOSER**



**MERCHANT**

My Bank, My Way.

**Personal Banking  
Business Banking  
Corporate Banking and  
Investment Banking**

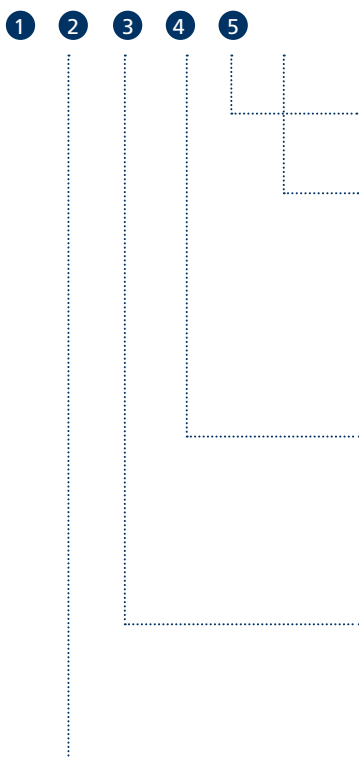
For further enquires, contact:

**Tel:** +233 021 666331

**E-mail:** [info@merbank.com](mailto:info@merbank.com)

**Web:** [www.merchantbank.com.gh](http://www.merchantbank.com.gh)

# Executive Management Committee



## 1. ISAAC OWUSU

Isaac is the General Manager in charge of Operations and Acting Head/Group Systems and Technology Department. He joined MBG in 1996 having worked with NCR Ghana Limited/AT & T GIS and the Ministry of Finance.

Isaac holds a BSc in Computer Science from the Kwame Nkrumah University of Science and Technology, and an International Executive MBA in Strategic and Consultancy Management at Paris Graduate School of Management (PGSM). Isaac also holds a postgraduate diploma in IPMA (UK).

## 2. SAM A. K. ACQUAYE

Sam is the Executive Director (Finance & Administration).

He joined MBG in 1997 having worked at Social Security and National Insurance Trust and Agricultural Development Bank. Sam holds an MBA (Finance) and is a Chartered Accountant (ICA Ghana).

## 3. RACHEL BADD00 (MRS)

Rachel is the Solicitor Secretary of the Bank. She joined MBG in 1995 having worked at the Attorney General's Department and Ghana Supply Company Ltd. Rachel holds a B. A (Law) and BL (Barrister-at-

Law) from the University of Ghana, Legon and the Ghana School of Law respectively.

## 4. DR. KWAME OSEI-OWUSU

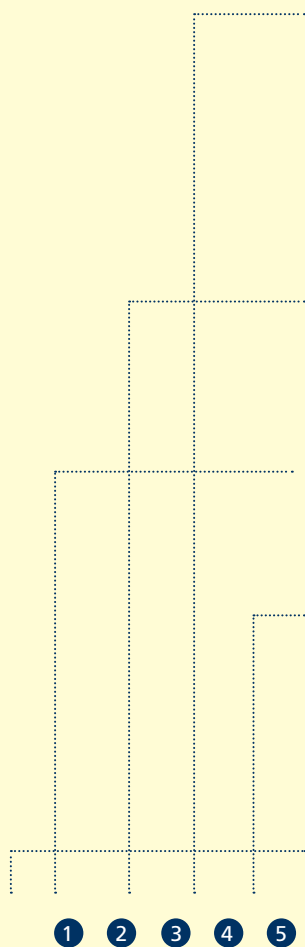
Kwame has over 31 years banking experience covering banking operations, Treasury, Credit Management, Branch Management and International Banking Operations.

He is currently the Acting Managing Director of MBG. Kwame joined MBG in 1998 after having worked at Agriculture Development Bank. Kwame holds a Doctorate in Management, MBA (Finance), a Postgraduate Diploma in Administration, Graduate Diploma in Operations and Technology and a BSc Admin from the University of Ghana Business School.

## 5. JUSTICE BOAHEN

Justice is the General Manager in charge of Corporate & Institutional Banking Division. He joined MBG in 2006 having worked at the Agricultural Development Bank and Leaseafric Ghana Limited. Justice holds an MBA in Financial Management and M.Phil in Economics as well as B.A Hons (Economics and Statistics) from the University of Ghana Legon.

# Business Areas



## 1. Solomon Addo Ofori – HEAD/ MARKETING & PRODUCT DEVELOPMENT

Solomon is the Head of the Product Development & Marketing. He joined MBG in 1999. He worked with the Pioneer Tobacco Ltd, Unilever Ghana Ltd and the Internal Revenue Service. He holds an Executive MBA in Marketing and a BSc Admin from the University of Ghana Business School.

## 2. David Okyere Nyarkoh – HEAD/ TREASURY

David is a Senior Manager at the Treasury Department. He joined MBG in 1997 after working at KPMG (Peat Marwick) and VRA. David holds a BSc in Admin (Accounting) and is a Chartered Accountant (ICA.-Ghana) He is also a member of the Chartered Institute of Tax. David also holds an Executive MBA degree (Finance Option) from the University of Ghana Business School.

## 3. Margaret Noonoo (Mrs) – HEAD BUSINESS BANKING

Margaret is the Head of Business Banking and Acting Zonal Manager for the Southern Sector. She joined MBG in 1994 after having worked at the Ghana Education Service. Prior to assuming the new position,

Margaret was the Branch Manager at Tema. Margaret holds an Executive MBA in Finance and is an Associate Member of the Chartered Institute of Bankers.

## 4. Emmanuel Nii Ankrah – HEAD/ RISK MANAGEMENT

Emmanuel is the Head of Risk Management Department. He joined the Bank in 2000 having worked at the Standard Chartered Bank. Emmanuel holds an MSc in Agriculture Economics from the University of Saskatchewan and a BSc in Agriculture Economics from the Kwame Nkrumah University of Science and Technology. He also holds an Executive Master in Business Administration in Finance from the University of Ghana Business School.

## 5. Emmanuel Afari – HEAD INVESTMENT BANKING

Emmanuel is the Head of the Corporate Finance and Advisory Services and is currently acting as Head of the Investment Banking Division. He joined MBG in 1999. Prior to this he had worked at the National Investment Bank. Emmanuel holds a B.A (Hons) Econ & Sociology and an International Executive MBA (Banking & Finance) from the Paris Graduate School of Management.



# Report of the Directors

In accordance with the requirements of Section 132 of the Companies Code, we the Board of Merchant Bank Ghana Limited (Ghana) Limited submit herewith the Annual Report on the state of affairs of the Bank and its Subsidiaries for the year ended 31 December, 2008.

## OPERATIONAL RESULTS

	Note	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Operating Income		81,825	55,269	79,450	52,872
Profit Before Tax		31,166	4,141	29,881	2,728
From which is deducted the provision for the estimated:					
Income tax expense		(7,156)	(3,039)	(6,835)	(2,692)
<b>Leaving a Net Profit of</b>		<b>24,010</b>	<b>1,102</b>	<b>23,046</b>	<b>36</b>
Which is to be added to the Income Surplus brought forward from the previous year		15,117	15,358	10,877	12,184
Making a total of		39,126	16,460	33,923	12,220
Dividend Paid (GH¢ 0.032 per share)	40	(4,080)	-	(4,080)	-
Less transfer to Share Deals Account of	41	(231)	-	(231)	-
Less transfer to Stated Capital		(18,000)	-	(18,000)	-
Less transfer to Statutory Reserve Fund of	35	(2,881)	(1,343)	(2,881)	(1,343)
<b>Leaving a net balance on the Income Surplus Account of</b>		<b>13,934</b>	<b>15,117</b>	<b>8,731</b>	<b>10,877</b>

## Report of the Directors Cont'd

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### PRINCIPAL ACTIVITY

There was no change in the principal business of the bank

### DIRECTORS

The names of the Directors who served during the year are provided on Page 6 of this report. No Director and Officers had any interest in the shares of the Bank.

No Director had a material interest, at any time during the year, in any contract of significance, other than a service contract with the Bank.

### AUDITORS

The Auditors, Deloitte & Touche have signified their willingness to continue in office. A resolution to re-appoint them will be proposed at the Annual General Meeting.

### ON BEHALF OF THE BOARD

*Solomon Kwami Tetteh*  
CHAIRMAN (SGD)

*Dr. Kwame Osei-Owusu*  
DIRECTOR (SGD)

# Statement of Directors' Responsibilities

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

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

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making

accounting estimates that are reasonable in the circumstances.

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

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

*Solomon Kwami Tetteh*  
CHAIRMAN (SGD)

*Dr. Kwame Osei-Owusu*  
DIRECTOR (SGD)

# Independent Auditors' Report

to the members of Merchant Bank Ghana Limited

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## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Merchant Bank Ghana Limited on pages 32 to 84 which comprise the consolidated balance sheet as at 31 December, 2008, and consolidated income statement, statement of changes in equity and cashflow statement 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 Code 1963, (Act 179). These responsibilities include: 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 give in the prescribed manner, information required by the Companies Code 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 2008, 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.

# Independent Auditors' Report

to the members of Merchant Bank Ghana Limited

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## REPORT ON OTHER LEGAL AND REGULATORY REQUIRMENTS

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

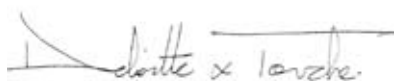
We confirm that:

- 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 balance sheet 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 banks transactions are within its powers; and
- iv. The bank has complied with the provisions of Act 673 and the Banking (Amendment) Act of 2007 (Act 738)



Chartered Accountants  
4 Liberation Road  
Accra, Ghana

27th March, 2009

# Putting our customers first

Our aim is to offer our customers clear and tangible reasons why they should deal with us. This means making banking as convenient and simple as possible; providing leading trusted and responsible financial advice, solutions and services; and investing in the development of our people so that we become known for our exceptional customer service and showing the 'human face' of banking.

As a bank, we are focused on understanding the economic, social and environmental issues that impact our customers and society and integrating these into our products and services and business practices and decisions.

Simplified solutions  
for your *Business*



**MERBAN  
BUSINESS  
SUPPORT**



**MERCHANT**  
My Bank, My Way.

# Consolidated Income Statement

For the year ended 31 December, 2008

		Group 2008	Group 2007*	Bank 2008	Bank 2007*
	Note	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Interest income	9	74,335	66,623	73,630	65,832
Interest expense	10	(30,866)	(29,997)	(30,866)	(29,997)
<b>Net interest income</b>		<b>43,469</b>	<b>36,626</b>	<b>42,765</b>	<b>35,835</b>
Fee and commission income	11	11,325	12,942	9,736	11,435
Other operating income	12	27,031	5,701	26,949	5,602
<b>Operating income</b>		<b>81,825</b>	<b>55,269</b>	<b>79,450</b>	<b>52,872</b>
Operating expense	13	(31,150)	(25,907)	(30,185)	(25,041)
Impairment Loss	15	(19,509)	(25,267)	(19,509)	(25,267)
<b>Operating profit</b>		<b>31,166</b>	<b>4,095</b>	<b>29,755</b>	<b>2,564</b>
Other income	16	-	46	126	164
<b>Profit before tax</b>		<b>31,166</b>	<b>4,141</b>	<b>29,881</b>	<b>2,728</b>
Taxation	17	(7,156)	(3,039)	(6,835)	(2,692)
<b>Profit after tax Transferred to</b>					
<b>Income Surplus Account</b>		<b>24,010</b>	<b>1,102</b>	<b>23,046</b>	<b>36</b>

# Consolidated Income Surplus Account

For the year ended 31 December, 2008

	Note	Group 2008 GH¢'000	Group 2007* GH¢'000	Bank 2008 GH¢'000	Bank 2007* GH¢'000
Balance at 1 January		15,117	15,358	10,877	12,184
Net Profit for the year		24,010	1,102	23,046	36
		39,126	16,460	33,923	12,220
Dividend Paid (GH¢ 0.032 per share)	40	(4,080)	-	(4,080)	-
Transfer to Share Deals Account	41	(231)	-	(231)	-
Transfer to Stated Capital	32	(18,000)	-	(18,000)	-
Transfer to Statutory Reserve Fund	35	(2,881)	(1,343)	(2,881)	(1,343)
Balance at 31 December		13,934	15,117	8,731	10,877

The accompanying notes form an integral part of these Financial Statements.

\* The 2007 figures have been restated in accordance with the requirements of International Financial Reporting Standards (IFRS) as explained in Note 46.

# Consolidated Balance Sheet

For the year ended 31 December, 2008

	Note	Group 2008 GH¢'000	Group 2007* GH¢'000	Bank 2008 GH¢'000	Bank 2007* GH¢'000
<b>Assets</b>					
Cash and balances with Bank of Ghana	18	32,614	51,863	32,614	51,863
Government Securities	19	23,387	26,509	22,267	24,786
Due from other Banks and financial institutions	20	45,070	73,861	45,070	73,861
Investment in other securities	21	1,284	1,206	323	323
Loans and advances to customers	23	308,607	283,186	308,407	283,186
Leasing & Hire Purchase Debtors	24	9,754	9,545	9,754	9,545
Investment in Subsidiaries	25	-	-	147	147
Other assets	26	104,053	90,626	8,397	6,632
Property and equipment	27	10,831	10,778	10,826	10,774
Intangible Asset	28	949	1,490	949	1,490
Taxation	17b	1,244	1,925	1,359	2,033
<b>Total assets</b>		<b>537,793</b>	<b>550,989</b>	<b>440,113</b>	<b>464,640</b>
<b>Liabilities</b>					
Due to Customers	29	317,147	320,643	317,820	321,213
Due to banks and other financial institutions	30	48,204	80,285	48,204	80,285
Interest payable and other liabilities	31	111,759	108,708	18,609	26,029
Deferred tax	17c	1,267	1,635	1,267	1,635
<b>Total liabilities</b>		<b>478,377</b>	<b>511,271</b>	<b>385,900</b>	<b>429,162</b>

## Consolidated Balance Sheet As at 31 December, 2008 Cont'd

		Group	Group	Bank	Bank
		2008	2007*	2008	2007*
	Note	<u>GH¢'000</u>	<u>GH¢'000</u>	<u>GH¢'000</u>	<u>GH¢'000</u>
<b>Shareholders' Fund</b>					
Stated Capital	32	25,000	7,000	25,000	7,000
Preference Share Capital	33	1,800	1,800	1,800	1,800
Capital surplus	34	6,630	6,630	6,630	6,630
Income Surplus		13,934	15,117	8,731	10,877
Statutory Reserve Fund	35	12,052	9,171	12,052	9,171
<b>Total Shareholders' Fund</b>		<b>59,416</b>	<b>39,718</b>	<b>54,213</b>	<b>35,478</b>
<b>Total Liabilities and Shareholders' Fund</b>		<b>537,793</b>	<b>550,989</b>	<b>440,113</b>	<b>464,640</b>

The Board of Directors approved the financial statements on 25th March, 2009.

*Solomon Kwami Tetteh*  
DIRECTOR (SGD)

*Dr. Kwame Osei-Owusu*  
DIRECTOR (SGD)

\* The 2007 figures have been restated in accordance with the requirements of International Financial Reporting Standards (IFRS) as explained in Note 47.

# Social Responsibilities



Merchant Bank did not relent in giving back to society as contained in our Corporate Social Responsibility Policy.

Above is a picture of Board members and management during a donation to the Otumfuo Education Fund Investment.

# Cash flow Statement

For the year ended 31 December, 2008

		2008 GH¢'000	2007* GH¢'000
<b>Operating Activities</b>			
Cash generated from operations	43	(35,308)	53,207
<b>Taxation</b>			
Reconstruction levy paid	17b	-	(80)
Corporate tax paid	17b	(6,529)	(3,555)
		(6,529)	(3,635)
<b>Investing Activities</b>			
Purchase of property and equipment	27b	(1,884)	(3,069)
Purchase of intangible asset	28	(7)	(11)
Proceeds from sale of assets	16	-	51
Net cash used in investing activities		(1,891)	(3,029)
<b>Financing Activities</b>			
Proceeds from issue of Preference Shares	33	-	1,800
Purchase of own Shares	41	(231)	-
Dividend Paid	40	(4,080)	-
Net cash used in financing activities		(4,311)	1,800
<b>(Decrease)/Increase in Cash and Cash Equivalents</b>		<b>(48,039)</b>	<b>48,343</b>
<b>Cash and Cash Equivalents at 1 January</b>		<b>125,724</b>	<b>77,381</b>
<b>Cash and Cash Equivalents at 31 December</b>		<b>77,684</b>	<b>125,724</b>

\* The 2007 figures have been restated in accordance with the requirements of International Financial Reporting Standards (IFRS) as explained in Note 47.

# Statement of Changes in Equity

For the year ended 31 December, 2008

Group	Stated Capital GH¢'000	Preference Share Capital GH¢'000	Capital Surplus GH¢'000	Income Surplus GH¢'000	Statutory Reserve Fund GH¢'000	Total GH¢'000
<b>Balance as at 1 Jan 2007</b>	<b>7,000</b>	<b>-</b>	<b>5,064</b>	<b>15,359</b>	<b>7,828</b>	<b>35,251</b>
Net Profit for the Year	-	-	-	1,101	-	1,101
Issue of Preference Shares	-	1,800	-	-	-	1,800
Transfer to Statutory Reserve	-	-	-	(1,343)	1,343	-
Dividend Paid	-	-	-	-	-	-
Transfer to Share Deals Account	-	-	-	-	-	-
Transfer to Stated Capital	-	-	-	-	-	-
Gains on Revaluation	-	-	1,566	-	-	1,566
<b>Balance as at 31 Dec 2007</b>	<b>7,000</b>	<b>1,800</b>	<b>6,630</b>	<b>15,117</b>	<b>9,171</b>	<b>39,718</b>
<b>Balance as at 1 Jan 2008</b>	<b>7,000</b>	<b>1,800</b>	<b>6,630</b>	<b>15,117</b>	<b>9,171</b>	<b>39,718</b>
Net Profit for the Year	-	-	-	24,009	-	24,009
Issue of Preference Shares	-	-	-	-	-	-
Transfer to Statutory Reserve	-	-	-	(2,881)	2,881	-
Dividend Paid	-	-	-	(4,080)	-	(4,080)
Transfer to Share Deals Account	-	-	-	(231)	-	(231)
Transfer to Stated Capital	18,000	-	-	(18,000)	-	-
Gains on Revaluation	-	-	-	-	-	-
<b>Balance as at 31 Dec 2008</b>	<b>25,000</b>	<b>1,800</b>	<b>6,630</b>	<b>13,934</b>	<b>12,052</b>	<b>59,416</b>

## Statement of Changes in Equity

For the year ended 31 December, 2008

Bank	Stated Capital GH¢'000	Preference Share Capital GH¢'000	Capital Surplus GH¢'000	Income Surplus GH¢'000	Statutory Reserve Fund GH¢'000	Total GH¢'000
<b>Balance as at 1 Jan 2007</b>	<b>7,000</b>	<b>-</b>	<b>5,064</b>	<b>12,184</b>	<b>7,828</b>	<b>32,076</b>
Net Profit for the Year	-	-	-	36	-	36
Issue of Preference Shares	-	1,800	-	-	-	1,800
Transfer to Statutory Reserve	-	-	-	(1,343)	1,343	-
Dividend Paid	-	-	-	-	-	-
Transfer to Share Deals Account	-	-	-	-	-	-
Transfer to Stated Capital	-	-	-	-	-	-
Gains on Revaluation	-	-	1,566	-	-	1,566
<b>Balance as at 31 Dec 2007</b>	<b>7,000</b>	<b>1,800</b>	<b>6,630</b>	<b>10,877</b>	<b>9,171</b>	<b>35,478</b>
<b>Balance as at 1 Jan 2008</b>	<b>7,000</b>	<b>1,800</b>	<b>6,630</b>	<b>10,877</b>	<b>9,171</b>	<b>35,478</b>
Net Profit for the Year	-	-	-	23,046	-	23,046
Issue of Preference Shares	-	-	-	-	-	-
Transfer to Statutory Reserve	-	-	-	(2,881)	2,881	-
Dividend Paid	-	-	-	(4,080)	-	(4,080)
Transfer to Share Deals Account	-	-	-	(231)	-	(231)
Transfer to Stated Capital	18,000	-	-	(18,000)	-	-
Gains on Revaluation	-	-	-	-	-	-
<b>Balance as at 31 Dec 2008</b>	<b>25,000</b>	<b>1,800</b>	<b>6,630</b>	<b>8,731</b>	<b>12,052</b>	<b>54,213</b>

# Notes to the Consolidated Financial Statements

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## 1. REPORTING ENTITY

Merchant Bank Ghana Limited is a bank incorporated in Ghana. The address of the Bank's registered office is P.O.BOX 401, Accra. The bank operates with a universal banking licence and undertakes all banking services. The consolidated financial statements of the bank comprise the Bank and its subsidiaries, Merban Stockbrokers Limited and Merban Investment Holding Company.

## 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). These are the Group's first set of financial statements prepared in accordance with IFRS and IFRS 1 has been applied.

### b. Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for available for sale financial assets which are measured at fair value. The financial statements are presented in Ghana cedis, rounded to the nearest thousand

### c. Foreign Currency

Assets and Liabilities denominated in foreign currencies are translated in cedis at the exchange rate ruling at the Bank's year-end. Gains and losses resulting from foreign currency transactions are included in the profit for the year.

### d. Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts

of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### a. Consolidation

The consolidated financial statements of the Group include the financial statements of the Bank and its subsidiaries, made up to 31 December each year. The group accounts for its subsidiaries by consolidating fully their assets, liabilities and results for the year

Subsidiaries are entities over which the bank has the power to directly or indirectly influence the financial and operating policies.

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.

### b. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following are the basis for recognising various revenue items

#### 1. Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated as fair value through profit and loss, are recognized within interest income and interest expense in the income statement using the effective interest method.

# Notes to the Consolidated Financial Statements Cont'd

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

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

## ii. Fees and commissions

In the normal course of business, the bank earns fees and commission income from diverse range of services to its customers. Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, placement fees and syndication fees, facility management fees, fees on Letters of Credit and fees on Guarantees are recognised as the related services are performed.

## iii. Dividends

Dividends are recognised in the income statement when the bank's right to receive payment is established.

## iv. Government securities

Government securities comprise treasury bills and treasury bonds which are debt securities issued by the Government of Ghana. These are classified as available for sale and are stated at fair value. Gains and losses arising from changes in the fair value of available for sale financial

assets, are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement

## c. Property and equipment

### i. Initial Recognition and Measurement

Property and equipment are stated at cost or as professionally revalued from time to time less accumulated depreciation and impairment loss. Costs include expenditures that are directly attributable to the acquisition of the asset

### ii. Subsequent Expenditure

Additions and subsequent expenditures are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the asset. Maintenance and repairs are charged to the income statement when incurred.

### iii. Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of property and equipment.

The estimated depreciation rates for the current and comparative periods are as follows:

Equipment	20%
Premises	3%
Motor Vehicles	20%
Leasehold land	Lease period
Computers - Hardware	33.3%

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. Freehold land is not depreciated as it is deemed to have an indefinite life.

# Notes to the Consolidated Financial Statements Cont'd

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## iv. Disposal

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are included in the income statement

## v. Impairment

Annual impairment tests are carried out on property, plant and equipment if deemed appropriate, and where the carrying amounts are more than the recoverable amounts, they are written down to the recoverable amounts

## d. Intangible Assets-Computer Software

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

Amortisation is recognised in the income statement on a straight line basis over the estimated useful life of the software. The estimated life of software is up to five years.

## e. Employee Benefits

### i. Provident Fund and End of Service Benefit

These are defined contribution schemes managed by a board of trustees on behalf of the bank. All contributions are charged to the income statement as incurred and included in staff costs

### ii. Social Security Contributions

The bank makes a defined contribution of 12.5% of employees basic salary as Social Security, a mandatory contribution managed by Social Security and National Insurance Trust (SSNIT). This is charged to the income statement as incurred and included in staff costs

## iii. Provision for Employee Leave Days Outstanding

A provision is made for the estimated liability for annual leave accrued at the balance sheet date.

## iv. Fair Value of Employee Loans

The fair value of employee loans is determined at each reporting date

## f. Income Tax

Income tax is made up of current and deferred tax.

### i. Current Tax

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the tax legislation.

### ii. Deferred Tax

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

A Deferred tax liability is recognised for all taxable temporary differences

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized.

## g. Financial Instruments

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

# Notes to the Consolidated Financial Statements Cont'd

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## i. Financial assets

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

## ii. Financial assets at fair value through profit or loss

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

## iii. Loans, advances and receivables

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

## iv. Held to maturity

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

## v. Available-for-sale financial assets

These are financial assets that are not :

- (a) financial assets at fair value through profit or loss
- (b) loans, advances and receivables
- (c) financial assets held to maturity.

## vi. Initial Recognition of financial assets

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

## vii. Subsequent Measurement of financial assets

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans, advances and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

## viii. Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the bank has transferred substantially all risks and rewards of ownership.

## ix. Gains and losses on financial assets

Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

## Notes to the Consolidated Financial Statements Cont'd

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Dividends on available-for-sale equity instruments are recognised in the income statement when the bank's right to receive payment is established.

### x. Determination of Fair Value of financial instruments

Where an active market exists for the instrument, fair value is based on quoted prices. Where no active market exists for the instrument, fair value is estimated using valuation techniques, including the use of recent market transactions

### xi. Impairment of financial assets

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

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

The bank considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment

that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment together with financial assets with similar risk characteristics.

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

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

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

## Notes to the Consolidated Financial Statements Cont'd

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difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

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

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

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

### xii. Financial liabilities

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

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

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

### xiii. Offsetting

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

## h. Regulatory Credit Risk Reserve

### i. Loans and Advances

A transfer is made to a non-distributable account to cater for any shortfalls between Provisioning of Loans by the Bank of Ghana and Impairment according to IFRS.

### ii. Contingent Liabilities

A transfer is made to a non-distributable account to cater for any shortfalls between

General Provisioning of Contingent Liabilities by the Bank of Ghana requirements and Impairment according to IFRS.

# Notes to the Consolidated Financial Statements Cont'd

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## **i. Cash and Cash Equivalent**

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

## **j. Dividends**

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

## **k. Provisions**

Provisions are recognised if as a result of past events, the bank 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.

## **l. Contingent liabilities**

Letters of credit, acceptances, guarantees and performance bonds are generally written by the bank to support performance by a customer to third parties. The bank will only be required to meet these obligations in the event of the customer's default. These obligations are accounted for as off balance sheet transactions and disclosed as contingent liabilities.

## **m. Investments in subsidiary companies**

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

## **n. Unquoted investments**

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

## **o. Deposits, amounts due to Banks and Borrowings**

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

## **p. Events after the balance sheet date**

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

## **q. Financial Guarantees**

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

## **4. FINANCIAL RISK MANAGEMENT**

### **i. Introduction and overview**

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

- Credit risk
- Liquidity risk

## Notes to the Consolidated Financial Statements Cont'd

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

### ii. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The board has established a Risk Oversight Committee and a Risk Department to assist in the discharge of this responsibility.

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

The bank's Risk Committee is responsible among other things for authorising the scope of the risk management function and renewing and assessing the integrity of the risk control systems, ensuring that the risk policies and strategies are effectively managed

### iii. Credit risk

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

### iv. Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Credit and Risk Oversight Committees

#### The Risk Oversight Committee :

- Sets out the nature, role, responsibility and authority of the risk management function within the group and outlines the scope of the risk management function
- Reviews and assesses the integrity of the risk control systems and ensures that the risk policies and strategies are effectively managed.
- Provides an independent and objective oversight and reviews the information presented by management and the Audit Committee to the board on financial, business and strategic risk issues.
- Adopts the principles of governance and codes of best practice
- Liaises with the board with respect to the preparation of the Committee's report to shareowners as required
- Reviews the decisions of the Credit Management and Asset-Liability Management Committee (ALCO). Credit and ALCO decisions taken at the management level will be reported to the Risk Committee on a quarterly basis or more frequently should the need arise.
- Assists the board to determine the maximum mandate levels for the various Credit and ALCO decisions

## Notes to the Consolidated Financial Statements Cont'd

The purpose of the Credit Committee is to:

- Oversee the credit management function of the Group to ensure a healthy credit portfolio
- Exercise due care in the use of credit authority
- Approve/decline credit applications processed by the Credit Risk Management Department
- Set and determine the Group's credit policy and ensure the document is reviewed annually
- Review on quarterly basis the monitoring of policy compliance; consider portfolio issues; compliance of portfolio against standards and to take appropriate remedial action

- Ensure key triggers are kept under review and stress tests on the portfolio conducted whenever significant changes occur or are anticipated
- Agree portfolio targets, industry and credit grading concentrations
- Determine, in tandem with ALCO, market and product pricing based on risk adjusted return
- Ensure compliance with regulatory requirements in credit delivery

### v. Maximum exposure to credit risk

The table below represents the maximum credit risk exposure to the bank at 31 December 2007 and 2008, without taking into account any collateral held or other credit enhancements attached.

	Group 2008	Group 2007	Group 2008	Group 2007
	<u>GH¢'000</u>	<u>GH¢'000</u>	<u>GH¢'000</u>	<u>GH¢'000</u>
<b>On- balance sheet items</b>				
Government securities	23,387	26,509	22,267	24,786
Placement with other banks	45,070	73,861	45,070	73,861
Loans and Advances	308,607	283,187	308,407	283,187
	<u>377,064</u>	<u>383,557</u>	<u>375,744</u>	<u>381,834</u>
<b>Off- balance sheet items</b>				
Contingent Bills	31,633	28,519	31,633	28,519
Guarantees and Indemnities	72,399	10,482	72,399	10,482
	<u>104,032</u>	<u>39,001</u>	<u>104,032</u>	<u>39,001</u>

## Notes to the Consolidated Financial Statements Cont'd

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### vi. Analysis of Credit concentration risk

The concentration of loans and advances by business segment and customer types are disclosed in Note 23.

### vii. Impaired loans

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

### viii. Past due but not impaired loans

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

### ix. Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position.

### x. Allowances for impairment

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

### xi. Collateral held

The bank holds collateral against loans and advances to customers in the form of cash, mortgage interests over property,

other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2008.

### xii. Write-off policy

The bank writes off a loan / security balance (and any related allowances for impairment losses) when the Credit Risk department determines that the loans cannot be collected and a board approval is given. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

### xiii. Liquidity risk

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

### xiv. Management of liquidity risk

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

Treasury department maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans

## Notes to the Consolidated Financial Statements Cont'd

### xv. Maturity of Assets and Liabilities

An analysis of various maturities of the bank's assets and liabilities is provided below:

Bank	Total GH¢'000	Below 3 Months GH¢'000	3 to 6 Months GH¢'000	6 to 12 Months GH¢'000	Over One Year GH¢'000
<b>Assets</b>					
Cash and balances with Bank of Ghana	32,614	32,614	-	-	-
Government Securities	22,267	13,969	2,058	6,240	-
Due from other Banks and financial institutions	45,070	45,070	-	-	-
Investment in other securities	323	-	-	-	323
Loans and advances to customers	308,407	225,389	44,919	14,969	23,130
Leasing & Hire Purchase Debtors	9,754	7,719	2,035	-	-
Investment in Subsidiaries	147	-	-	-	147
Other assets	8,378	6,959	1,419	-	-
Property and equipment	10,826	-	1,955	2,333	6,538
Intangible Assets	949	-	-	949	-
Taxation	1,359	1,359	-	-	-
<b>Total Assets</b>	<b>440,094</b>	<b>333,079</b>	<b>52,386</b>	<b>24,491</b>	<b>30,138</b>
<b>Liabilities</b>					
Deposits & Current Accounts	317,820	127,057	64,678	65,761	60,324
Due to Banks & Other Fin Institutions	48,204	20,071	-	26,133	2,000
Interest payable & other liabilities	20,469	14,527	2,971	2,971	-
Deferred tax	1,267	-	-	1,267	-
<b>Total liabilities</b>	<b>387,760</b>	<b>161,655</b>	<b>67,649</b>	<b>96,132</b>	<b>62,324</b>
<b>Net liquidity gap</b>	<b>52,334</b>	<b>171,424</b>	<b>(15,263)</b>	<b>(71,641)</b>	<b>(32,186)</b>

## Notes to the Consolidated Financial Statements Cont'd

and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the bank as a whole.

### xvi. Market risks

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

### xvii. Management of market risks

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

### xvii. Interest rate risk

The bank is exposed to the risk that the value of a financial instrument will fluctuate due to

changes in market interest rates. The maturities of asset and liabilities and the ability to replace at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the bank's exposure to changes in interest rates and liquidity.

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

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

### xviii. Foreign exchange risk

The bank operates wholly within Ghana and its assets and liabilities are carried in local currency. The bank maintains trade with correspondent banks and takes deposits and lends in foreign currencies. The bank is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

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

	2008 GH¢	2007 GH¢
US Dollar	1.2134	0.9599
GB Pound	1.7589	1.9177
EURO	1.7103	1.4145

## Notes to the Consolidated Financial Statements Cont'd

### xix. Currency exposure at year end in cedi equivalent of the following major currencies

The table below summarises the bank's exposure to foreign currency exchange rate risk as at balance sheet date

	Total GH¢'000	USD GH¢'000	GBP GH¢'000	EURO GH¢'000	Others GH¢'000
<b>Assets</b>					
Cash and balances with Bank of Ghana	32,614	5,466	2,018	5,179	19,951
Government Securities	22,267	-	-	-	22,267
Due from other Banks and financial institutions	45,070	13,752	4,564	10,444	16,310
Investment in other securities	323	-	-	-	323
Loans and advances to customers	308,407	129,939	1,906	3,183	173,379
Leasing & hire purchase receivables	9,754	-	-	-	9,754
Investment in Subsidiaries	147	-	-	-	147
Other assets	8,397	-	-	-	8,397
Property and equipment	10,826	-	-	-	10,826
<b>Total Assets</b>	<b>437,805</b>	<b>149,157</b>	<b>8,488</b>	<b>18,806</b>	<b>261,354</b>
<b>Liabilities</b>					
Due to Customers	317,820	119,270	4,614	12,364	181,572
Due to banks and other financial institutions	48,204	20,003	-	73	28,128
Interest payable and other liabilities	18,609	405	-	-	18,204
<b>Total Liabilities</b>	<b>384,633</b>	<b>139,678</b>	<b>4,614</b>	<b>12,437</b>	<b>227,904</b>
Net On-balance Sheet Position	53,172	9,479	3,874	6,369	33,450
Off-balance Sheet Credit commitments	104,032	42,027	58	10,839	51,108

# Notes to the Consolidated Financial Statements Cont'd

## xix. Operational risks

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

## xix. Management of operational risks

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified

- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with the bank's standards is supported by a programme of periodic reviews undertaken by Group Audit and Assurance Division(GAAD). The results of Group Audit and Assurance Division(GAAD) reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the bank.

## 5. CAPITAL MANAGEMENT

The Central Bank of Ghana sets and monitors capital requirements for the bank. The banks objectives when managing capital are:

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

# Notes to the Consolidated Financial Statements Cont'd

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

## i. Regulatory capital

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

- Tier 1 capital includes Stated Capital, Disclosed Reserves and Permanent Non Cumulative Reserves.
- Tier 2 capital includes Revaluation Reserves, Subordinated Term Debts and Regulatory Credit Risk Reserves

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

## ii. Capital Adequacy

Relevant rules and ratios of the Basel II Accord on Banking supervision, which have been adopted by the Bank of Ghana are used in monitoring the adequacy of the banks capitals. The bank exceeded the minimum requirement in the reporting period.

## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE BANK'S ACCOUNTING POLICIES

In the process of applying the bank's accounting policies, management has made estimates and

assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. These are dealt with below:

## i. Impairment losses on loans and advances

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

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

## ii. Property and equipment

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

## Notes to the Consolidated Financial Statements Cont'd

### 7. SOCIAL RESPONSIBILITIES

	<b>Bank 2008 GH¢'000</b>	<b>Bank 2007 GH¢'000</b>
The Bank spent the following amounts in fulfilling its social responsibilities	73	50

### 8. SEGMENTAL REPORTING

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

The bank has only one business segment and thus as per IAS 14, it is not necessary for it to prepare additional segmental information.

### 9. INTEREST INCOME

	<b>Group 2008 GH¢'000</b>	<b>Group 2007 GH¢'000</b>	<b>Bank 2008 GH¢'000</b>	<b>Bank 2007 GH¢'000</b>
Placements, special deposits	2,660	2,595	2,641	2,577
Loans and advances	65,340	57,534	65,341	57,536
Leasing & Hire-purchase	2,709	2,598	2,709	2,598
Investment securities	3,626	3,896	2,940	3,121
	<b>74,335</b>	<b>66,623</b>	<b>73,630</b>	<b>65,832</b>

## Notes to the Consolidated Financial Statements Cont'd

### 10. INTEREST EXPENSE

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Current accounts	4,687	5,337	4,687	5,337
Time and other deposits	13,687	9,445	13,687	9,445
Borrowings	7,585	3,618	7,585	3,618
Overnight and call accounts	4,907	11,597	4,907	11,597
	<b>30,866</b>	<b>29,997</b>	<b>30,866</b>	<b>29,997</b>

### 11. FEE AND COMMISSION INCOME

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Commission on Investments/Fees	1,605	1,512	-	-
Letters of Credit	1,940	2,522	1,940	2,522
Ledger Fees	791	718	791	718
Guarantees	791	701	791	701
Corporate Services	346	167	346	167
Registrar's Services	89	78	89	78
Legal Services	8	2	8	2
Others	1,416	1,120	1,432	1,125
Commission on Foreign Transfers	2,062	2,161	2,062	2,161
Commitment Fees	2,277	3,961	2,277	3,961
	<b>11,325</b>	<b>12,942</b>	<b>9,736</b>	<b>11,435</b>

## Notes to the Consolidated Financial Statements Cont'd

### 12. OTHER OPERATING INCOME

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Gain on exchange	14,191	264	14,191	264
Bad Debt Recovered - Specific	21	18	21	18
Dividend from Investment	30	35	-	-
Treasury Trading	12,308	4,963	12,308	4,963
Others	481	421	429	357
	<b>27,031</b>	<b>5,701</b>	<b>26,949</b>	<b>5,602</b>

### 13. OPERATING EXPENSES

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Staff Costs (Note14)	17,913	14,683	17,292	14,063
Depreciation (Note 27)	1,834	1743	1,830	1741
Amortisation of Intangible Assets(Note 28)	548	547	548	547
Auditors Remuneration	26	22	20	17
Administrative Expenses	10,282	8,586	9,966	8,362
Advertisements	278	127	271	119
Directors' Remuneration	194	148	185	142
Donations	75	51	73	50
	<b>31,150</b>	<b>25,907</b>	<b>30,185</b>	<b>25,041</b>

### 13A. DIRECTORS AND MANAGEMENT EMOLUMENTS

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Directors fees	186	117	184	115
Directors expenses	8	31	1	27
Salaries and other benefits	1,470	1,300	1,470	1,300
	<b>1,664</b>	<b>1,448</b>	<b>1,655</b>	<b>1,442</b>

## Notes to the Consolidated Financial Statements Cont'd

### 14. STAFF COSTS

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Salaries and Bonus	8,952	7,282	8,575	6,899
Social Security Fund Contribution	976	812	930	766
Provident Fund Contribution	1,052	883	1,000	832
Training Expenses	424	369	400	361
Other Employee Cost	4,778	4,114	4,660	3,983
Medical Expenses	435	329	431	328
Travelling & Transport Expenses	1,296	894	1,296	894
	<u>17,913</u>	<u>14,683</u>	<u>17,292</u>	<u>14,063</u>
The average number of persons employed during the year was	<u>430</u>	486	<u>410</u>	468

### 15. IMPAIRMENT LOSS

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Specific Impairment	12,120	20,502	12,120	20,502
Portfolio Impairment	7,389	4,765	7,389	4,765
	<u>19,509</u>	<u>25,267</u>	<u>19,509</u>	<u>25,267</u>

### 16. OTHER INCOME

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Management fee from subsidiaries	-	-	126	118
Profit on sale of asset	-	46	-	46
	<u>-</u>	<u>46</u>	<u>126</u>	<u>164</u>

## Notes to the Consolidated Financial Statements Cont'd

### 17. TAXATION

#### 17a. Tax Charged to Income Statement

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Current Tax (Note 17b)	7,524	1,404	7,203	1,057
Deferred Tax (Note 17c)	(368)	1,635	(368)	1,635
	<b>7,156</b>	<b>3,039</b>	<b>6,835</b>	<b>2,692</b>

	Balance 01/01/2008 GH¢'000	Payments during year GH¢'000	Charge for the year GH¢'000	Balance 31/12/2008 GH¢'000
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#### 17 B. INCOME TAX

The Bank				
Year of assessment				
2000 - 2003	(342)	-	-	(342)
2004	114	-	-	114
2005	(214)	-	-	(214)
2006	907	-	-	907
2007	(2,498)	-	-	(2,498)
2008	-	(6,529)	7,203	674
	<b>(2,033)</b>	<b>(6,529)</b>	<b>7,203</b>	<b>(1,359)</b>
Group 2008	<b>(1,925)</b>	<b>(6,843)</b>	<b>7,524</b>	<b>(1,244)</b>

#### 17c. Deferred Tax

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Balance at 1 January	1,635	-	1,635	-
(Released)/Charged for the year	(368)	1,635	(368)	1,635
Balance at 31 December	<b>1,267</b>	<b>1,635</b>	<b>1,267</b>	<b>1,635</b>

## Notes to the Consolidated Financial Statements Cont'd

### 17D. RECONCILIATION OF EFFECTIVE TAX RATE

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Analysis of taxation charge for the year:				
Current Tax	7,524	1,404	7,203	1,057
Prior Period Adjustments	-	-	-	-
	7,524	1,404	7,203	1,057
Deferred Tax	(368)	1,635	(368)	1,635
	7,156	3,039	6,835	2,692
Effective Tax Rate	23.0%	73.4%	22.9%	98.7%

The effective tax rate in 2008 is lower than the standard rate of corporate tax of 25% in Ghana. It was higher in 2007 because of the incorporation of Deferred Tax in the tax computation for the first time.

A reconciliation of the tax charge that would result from applying the corporation tax rate in Ghana to profit before tax to tax charge for the year is given below:

### 17D. RECONCILIATION OF EFFECTIVE TAX RATE (CONT'D)

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Profit before tax	31,166	4,141	29,881	2,728
Tax at 25%	7,791	1,035	7,470	682
Non Deductible Expenses	10,835	3,120	3,438	3,156
Capital allowances	(1,370)	(1,632)	(1,368)	(1,626)
(Over)/Under Provision in Previous years	(2,956)	-	(2,956)	-
Deferred Tax	(368)	1,635	(368)	1,635
Others	(6,776)	(1,119)	619	(1,155)
	7,156	3,039	6,835	2,692

## Notes to the Consolidated Financial Statements Cont'd

### 18. CASH AND BALANCES WITH BANK OF GHANA

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Cash in hand	19,053	13,781	19,053	13,781
Balances with Bank of Ghana	13,561	38,082	13,561	38,082
	<b>32,614</b>	<b>51,863</b>	<b>32,614</b>	<b>51,863</b>

### 19. GOVERNMENT SECURITIES

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Treasury Bills/Notes	23,387	26,509	22,267	24,786
	<b>23,387</b>	<b>26,509</b>	<b>22,267</b>	<b>24,786</b>

### 20. DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Nostro account balances	18,523	17,536	18,523	17,536
Placement with other banks	18,824	43,576	18,824	43,576
Money at Short Notice	7,723	12,749	7,723	12,749
	<b>45,070</b>	<b>73,861</b>	<b>45,070</b>	<b>73,861</b>

### 21. INVESTMENT IN OTHER SECURITIES

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Quoted Shares	955	877	-	-
Unquoted Shares	329	329	323	323
	<b>1,284</b>	<b>1,206</b>	<b>323</b>	<b>323</b>

## Notes to the Consolidated Financial Statements Cont'd

The Bank has investments in the following entities:

Name	Nature of Business	Country of Incorporation	Percentage Interest
I City Car Park Limited	To implement and manage multi-storey car park in Central Accra	Ghana	14.8%
II West African Guarantee Fund (GARI)	To support private sector through the provision of partial guarantee	Togo	0.83%

### 22A. MOVEMENT IN IMPAIRMENT ALLOWANCE

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Balance at 1 January	32,689	8,102	32,689	8,102
Amounts written off against Impairment	-	-	-	0
Increase/(Decrease) in Impairment - Specific	12,120	20,502	12,120	20,502
- Portfolio	5,992	4,086	5,992	4,086
	<b>50,801</b>	<b>32,690</b>	<b>50,801</b>	<b>32,690</b>

### 22B. IMPAIRMENT CHARGE TO THE INCOME STATEMENT

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Increase/(Decrease) in Impairment - Specific	12,120	20,502	12,120	20,502
- Portfolio	5,992	4,086	5,992	4,086
-Leasing and Hire Purchase	1,397	679	1,397	679
	<b>19,509</b>	<b>25,267</b>	<b>19,509</b>	<b>25,267</b>

## Notes to the Consolidated Financial Statements Cont'd

<b>23. LOANS AND ADVANCES</b>				
	<b>Group 2008 GH¢'000</b>	<b>Group 2007 GH¢'000</b>	<b>Bank 2008 GH¢'000</b>	<b>Bank 2007 GH¢'000</b>
<b>Analysis by Type</b>				
Term Loans	202,487	169,486	202,287	169,486
Overdrafts	156,921	146,390	156,921	146,390
	359,408	315,876	359,208	315,876
Impairment Allowance (Note 22a)	(50,801)	(32,690)	(50,801)	(32,690)
<b>Net Loans and Advances</b>	<b>308,607</b>	<b>283,186</b>	<b>308,407</b>	<b>283,186</b>
a. Loans and advances to customers and staff	359,408	315,876	359,208	315,876
b. Loan loss provision ratio	14.1%	10.3%	14.1%	10.3%
c. Gross non-performing loans ratio	9.6%	6.3%	9.6%	6.3%
d. 50 largest exposures to total exposures	66.2%	74.0%	66.2%	74.0%
<b>Analysis by Business Segment</b>				
Agriculture, Forestry & Fishing	8,365	3,006	8,365	3,006
Mining & Quarrying	47,726	37,366	47,726	37,366
Manufacturing	76,419	78,477	76,419	78,477
Construction	36,244	34,648	36,244	34,648
Electricity, Gas & Water	31,099	29,387	31,099	29,387
Commerce & Finance	60,084	53,453	59,884	53,453
Transport, Storage & Communication	30,604	40,627	30,604	40,627
Services	31,297	21,022	31,297	21,022
Miscellaneous and Staff	37,570	17,890	37,570	17,890
	359,408	315,876	359,208	315,876
Impairment Allowance (Note 22a)	(50,801)	(32,690)	(50,801)	(32,690)
<b>Net Loans and Advances</b>	<b>308,607</b>	<b>283,186</b>	<b>308,407</b>	<b>283,186</b>

## Notes to the Consolidated Financial Statements Cont'd

### 23. LOANS AND ADVANCES (CONT'D)

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
<b>Analysis by Type of Customer</b>				
Public Enterprises	2,048	21,919	2,048	21,919
Private Enterprises	351,935	289,797	351,735	289,797
Staff	5,425	4,160	5,425	4,160
	359,408	315,876	359,208	315,876
Impairment Allowance (Note 22a)	(50,801)	(32,689)	(50,801)	(32,689)
	<b>308,607</b>	<b>283,187</b>	<b>308,407</b>	<b>283,187</b>

### 24. LEASING & HIRE PURCHASE DEBTORS

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Leasing Debtors	14,353	12,908	14,353	12,908
Hire Purchase Debtors	159	181	159	181
	14,512	13,089	14,512	13,089
Unearned Interest & Discounts	(2,348)	(2,531)	(2,348)	(2,531)
	12,164	10,558	12,164	10,558
Impairment Allowance	(2,410)	(1,013)	(2,410)	(1,013)
<b>Net Leasing &amp; Hire Purchase Debtors</b>	<b>9,754</b>	<b>9,545</b>	<b>9,754</b>	<b>9,545</b>

### 25. INVESTMENT IN SUBSIDIARIES

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Shares	-	-	147	147

## Notes to the Consolidated Financial Statements Cont'd

NAME	NATURE OF BUSINESS	INCORPORATION	INTEREST
I. Merban Stock-brokers Limited - 1	To subscribe for, underwrite, buy, hold, sell and deal either on or off the Stock Exchange and either as Principal or Agents in stock, shares, obligations, debentures, bonds, and securities of all description.	Ghana	100%
- 2	To transact any business or agency incidental to the above		
II. Merban Investment Holding Ltd. - 1	To act as nominee, attorney, agent or trustee either solely or jointly with others for any person or persons, Company, Corporation, Government, Municipal, Local or other authority or public body.	Ghana	100%
- 2	To purchase, acquire, receive, hold, manage, sell, exchange dispose of or otherwise deal with in any of the aforesaid capacities or otherwise any real or personal property whatsoever and in particular any fully paid shares, stocks, debentures, debenture s		
III. Merban Finance and Leasing Company Ltd. (currently not trading)	To carry on business of hire purchase, rental and leasing of goods and equipment.	Ghana	100%

## Notes to the Consolidated Financial Statements Cont'd

### 26. OTHER ASSETS ACCOUNT

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Accounts Receivable	102,537	89,593	6,880	5,599
Prepaid Expenses	1,516	1,033	1,516	1,033
	<b>104,053</b>	<b>90,626</b>	<b>8,396</b>	<b>6,632</b>

### 27A. PROPERTY & EQUIPMENT

	Freehold Land & Buildings GH¢'000	Office Furniture & Equipment GH¢'000	Motor Vehicles GH¢'000	Assets in course of Construction GH¢'000	Total GH¢'000
<b>Cost/Valuation</b>					
Balance at 01.01.2008	5,677	7,815	618	1,098	15,208
Additions	-	1,004	-	885	1,889
<b>Balance at 31.12.2008</b>	<b>5,677</b>	<b>8,819</b>	<b>618</b>	<b>1,983</b>	<b>17,097</b>
<b>Depreciation</b>					
Balance at 01.01.2008	195	3,944	293	-	4,432
Charge for the Year	195	1,549	90	-	1,834
<b>Balance at 31.12.2008</b>	<b>390</b>	<b>5,493</b>	<b>383</b>	<b>-</b>	<b>6,266</b>
<b>Net book value</b>					
<b>At 31.12.08</b>	<b>5,287</b>	<b>3,326</b>	<b>235</b>	<b>1,983</b>	<b>10,831</b>
<b>At 31.12.07</b>	<b>5,483</b>	<b>3,872</b>	<b>325</b>	<b>1,098</b>	<b>10,778</b>

## Notes to the Consolidated Financial Statements Cont'd

<b>27B. PROPERTY &amp; EQUIPMENT</b>					
	<b>Freehold Land &amp; Buildings GH¢'000</b>	<b>Office Furniture &amp; Equipment GH¢'000</b>	<b>Motor Vehicles GH¢'000</b>	<b>Assets in course of Construction GH¢'000</b>	<b>Total GH¢'000</b>
<b>The Bank</b>					
<b>Cost/Valuation</b>					
Balance at 01.01.2008	5,677	7,788	614	1,098	15,177
Additions	-	999	-	885	1,884
<b>Balance at 31.12.2008</b>	<b>5,677</b>	<b>8,787</b>	<b>614</b>	<b>1,983</b>	<b>17,061</b>
<b>Depreciation</b>					
Balance at 01.01.2008	195	3,921	289	-	4,405
Charge for the Year	195	1,545	90	-	1,830
<b>Balance at 31.12.2008</b>	<b>390</b>	<b>5,466</b>	<b>379</b>	<b>-</b>	<b>6,235</b>
<b>Net book value</b>					
<b>At 31.12.08</b>	<b>5,287</b>	<b>3,321</b>	<b>235</b>	<b>1,983</b>	<b>10,826</b>
At 31.12.07	5,483	3,868	325	1,098	10,774

<b>28. INTANGIBLE ASSETS</b>				
	<b>Group 2008 GH¢'000</b>	<b>Group 2007 GH¢'000</b>	<b>Bank 2008 GH¢'000</b>	<b>Bank 2007 GH¢'000</b>
<b>Intangible Assets</b>				
<b>Cost/Valuation</b>				
Balance at 1st January	2,736	2,725	2,736	2,725
Additions	7	11	7	11
Balance at 31st December	2,743	2,736	2,743	2,736
<b>Amortisation</b>				
Balance at 1st January	1,246	699	1,246	699
Charge for the Year	548	547	548	547
<b>Balance at 31st December</b>	<b>1,794</b>	<b>1,246</b>	<b>1,794</b>	<b>1,246</b>
<b>Net book value</b>	<b>949</b>	<b>1,490</b>	<b>949</b>	<b>1,490</b>

## Notes to the Consolidated Financial Statements Cont'd

### 29. DUE TO CUSTOMERS

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Current Accounts	202,710	228,324	203,383	228,894
Savings Accounts	12,295	9,380	12,295	9,380
Time Deposits	102,142	<b>82,939</b>	102,142	<b>82,939</b>
	<b>317,147</b>	<b>320,643</b>	<b>317,820</b>	<b>321,213</b>
<b>Analysis by type of depositor:</b>				
Individuals and Private Enterprises	269,430	207,154	270,104	207,724
Public Enterprises	35,565	59,184	35,565	59,184
Financial Institutions	12,151	<b>54,305</b>	12,151	<b>54,305</b>
	<b>317,146</b>	<b>320,643</b>	<b>317,820</b>	<b>321,213</b>
a. 20 largest depositors to total deposit ratio	40.3%	50.7%	40.2%	50.6%

### 30. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Long Term	47,865	68,259	47,865	68,259
Short Term	339	<b>12,026</b>	339	<b>12,026</b>
	<b>48,204</b>	<b>80,285</b>	<b>48,204</b>	<b>80,285</b>

### 31. INTEREST PAYABLE AND OTHER LIABILITIES

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Accrued Interest	4,547	3,087	4,547	3,087
Other Creditors & Accruals	96,787	87,599	3,637	4,920
Bills Payable	10,425	<b>18,022</b>	10,425	<b>18,022</b>
	<b>111,759</b>	<b>108,708</b>	<b>18,609</b>	<b>26,029</b>

## Notes to the Consolidated Financial Statements Cont'd

### 32. STATED CAPITAL

	Bank 2008		Bank 2007	
	Number of Shares '000'	Amount GH¢'000	Number of Shares '000'	Amount GH¢'000
<b>Authorised:</b>				
Number of ordinary shares of no par value	500,000		500,000	
<b>Issued:</b>				
	Bank 2008	Bank 2008	Bank 2007	Bank 2007
	Number of Shares '000'	Amount GH¢'000	Number of Shares '000'	Amount GH¢'000
Issued for Cash	21,250	5	28,750	5
Capitalisation Issue	98,750	6,995	98,750	6,995
Transfer from Income Surplus	-	18,000	-	-
	<b>120,000</b>	<b>25,000</b>	<b>127,500</b>	<b>7,000</b>

a. There is no unpaid liability on any share and there are 30 million shares in treasury.

b. Local Banks are required to increase their Stated Capital to GH¢25m by the end of 2010. The above transfer from Income Surplus is in compliance with this directive.

### 33. CONTRIBUTION TOWARDS PREFERENCE SHARE CAPITAL

	Group 2008	Group 2007	Bank 2008	Bank 2007
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Amount Issued	1,800	1,800	1,800	1,800
	<b>1,800</b>	<b>1,800</b>	<b>1,800</b>	<b>1,800</b>

This is in respect of amount received from SSNIT, the majority shareholder, towards preference share capital.

## Notes to the Consolidated Financial Statements Cont'd

### 34. CAPITAL SURPLUS

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Balance at 1 January	6,630	5,064	6,630	5,064
Revaluation Surplus	-	1,567	-	1,567
Disposals/Reversals	-	(1)	-	(1)
	<b>6,630</b>		<b>6,630</b>	

The property and equipment of the bank were revalued by Amoako Ababio and Co and this resulted in the Capital Surplus

### 35. STATUTORY RESERVE FUND

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Balance at 1 January	9,171	7,828	9,171	7,828
Transfer from Income Surplus	2,881	1,343	2,881	1,343
Balance at 31 December	<b>12,052</b>	<b>9,171</b>	<b>12,052</b>	<b>9,171</b>

This represents amounts set aside as a non-distributable reserve from annual profits in accordance with section 29 of the Banking Act, 2004(Act 673)

### 36. CONTINGENCIES AND COMMITMENTS

	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Contingent Bills	31,633	28,519	31,633	28,519
Guarantees and Indemnities	72,399	10,482	72,399	10,482
	<b>104,032</b>	<b>39,001</b>	<b>104,032</b>	<b>39,001</b>

## Notes to the Consolidated Financial Statements Cont'd

<b>37. RELATED PARTIES</b>				
	Group 2008 GH¢'000	Group 2007 GH¢'000	Bank 2008 GH¢'000	Bank 2007 GH¢'000
Advances including the following amounts were lent to related parties:				
Directors	-	-	-	-
Officers and other employees	5,425	4,160	5,425	4,160
	<u>5,425</u>	<u>4,160</u>	<u>5,425</u>	<u>4,160</u>

<b>38. PROVISION FOR EMPLOYEE LEAVE DAYS OUTSTANDING</b>				
	Group 2008 GH¢'000	Group 2007 GH¢'000	Group 2008 GH¢'000	Group 2007 GH¢'000
Balance at 1 January	719	-	719	-
Additional Provision During the year	231	719	231	719
Balance at 31 Dec	<u>951</u>	<u>719</u>	<u>951</u>	<u>719</u>

### 39 MANAGED FUNDS

Included in Other Creditors & Accruals and Accounts Receivable is an amount of GH¢77million (2007 was GH¢82.3million) representing funds professionally managed by Merban Investment Holding Limited.

### 40 DIVIDEND PAID

A dividend of GH¢ 4.08million was paid during the year

### 41 SHARE DEALS ACCOUNT

A transfer of GH¢0.23million was made from Income Surplus to Share Deals Account to purchase own shares.

# Notes to the Consolidated Financial Statements Cont'd

## 42 DETAILS OF SHAREHOLDING

Name of Shareholder	Percentage(%) holding
a. Social Security And National Insurance Trust (SSNIT)	55
b. State Insurance Company (SIC)	15
c. Trustees Of Merchant Bank Ghana Limited Staff Provident Fund	10
d. Shares In Treasury	20
	<b>100</b>

## 43. NOTES TO THE CASH FLOW STATEMENT

	2008 GH¢	2007 GH¢
<b>a. Reconciliation of profit before taxation to cash generated from operations</b>		
Profit before taxation	29,881	2,728
<b>Adjustments for:</b>		
Depreciation	1,830	1,741
Amortisation	548	548
(Gain)/loss on disposal of property and equipment	-	<b>(46)</b>
Profit before working capital changes	32,260	4,971
Decrease/(increase) in Government Securities	2,519	(8,809)
Increase in loans and advances	(25,221)	(64,705)
Increase in hire purchase and leasing debtors	(209)	(2,133)
Increase in other assets accounts	(1,763)	(884)
Increase in amounts due to customers	(3,393)	98,363
Increase in amounts due to banks and financial institutions	(32,081)	27,305
Increase in payables and other liabilities	<b>(7,420)</b>	<b>(901)</b>
Cash generated from operations	<b>(35,308)</b>	<b>53,207</b>
<b>b. Analysis of the balances of cash and cash equivalents</b>		
Cash and balances with Bank of Ghana	32,614	51,863
Due from other Banks and financial institutions	<b>45,070</b>	<b>73,861</b>
	<b>77,684</b>	<b>125,724</b>

## Notes to the Consolidated Financial Statements Cont'd

### 44A CLASSIFICATION OF FINANCIAL INSTRUMENTS

Group	Designated at Fair Value				Financial Assets & Liabilities	Total
	through Profit or Loss GH¢'000	Held to Maturity GH¢'000	Available for Sale GH¢'000	Loans & Receivable GH¢'000	at amortised cost GH¢'000	
						GH¢'000
<b>Assets</b>						
Cash and balances with Bank of Ghana	-	-	-	-	32,614	32,614
Government Securities	-	-	23,387	-	-	23,387
Due from other Banks and financial institutions	-	-	-	-	45,070	45,070
Investment in other securities	-	-	-	-	1,284	1,284
Loans and advances to customers	-	-	-	308,607	-	308,607
Leasing & Hire Purchase Debtors	-	-	-	9,754	-	9,754
Investment in Subsidiaries	-	-	-	-	-	-
Other assets	-	-	-	-	104,053	104,053
<b>Total at 31 Dec 2008</b>	<b>-</b>	<b>-</b>	<b>23,387</b>	<b>318,361</b>	<b>183,021</b>	<b>524,769</b>
<b>Liabilities</b>						
Due to Customers	-	-	-	-	317,147	317,147
Due to banks and other financial institutions	-	-	-	-	48,204	48,204
Interest payable and other liabilities	-	-	-	-	111,759	111,759
<b>Total at 31 Dec 2008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>477,110</b>	<b>477,110</b>

## Notes to the Consolidated Financial Statements Cont'd

	Designated at Fair Value  through Profit or Loss GH¢'000	Held to Maturity GH¢'000	Available for Sale GH¢'000	Loans & Receivable GH¢'000	Financial Assets & Liabilities at amortised cost GH¢'000	Total GH¢'000
<b>Assets</b>						
Cash and balances with Bank of Ghana	-	-	-	-	51,863	51,863
Government Securities	-	-	26,509	-	-	26,509
Due from other Banks and financial institutions	-	-	-	-	73,861	73,861
Investment in other securities	-	-	-	-	1,206	1,206
Loans and advances to customers	-	-	-	283,186	-	283,187
Leasing & Hire Purchase Debtors	-	-	-	9,545	-	9,545
Investment in Subsidiaries	-	-	-	-	-	-
Other assets	-	-	-	-	90,626	90,625
<b>Total at 31 Dec 2007</b>	<b>-</b>	<b>-</b>	<b>26,509</b>	<b>292,731</b>	<b>217,556</b>	<b>536,796</b>
<b>Liabilities</b>						
Due to Customers	-	-	-	-	320,643	320,643
Due to banks and other financial institutions	-	-	-	-	80,285	80,285
Interest payable and other liabilities	-	-	-	-	108,708	108,708
<b>Total at 31 Dec 2007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>509,636</b>	<b>509,636</b>

The fair values of financial assets and liabilities disclosed above, approximates their carrying amounts

## Notes to the Consolidated Financial Statements Cont'd

### 44B. CLASSIFICATION OF FINANCIAL INSTRUMENTS

Bank	Designated at Fair Value through Profit or Loss GH¢'000	Held to Maturity GH¢'000	Available for Sale GH¢'000	Loans & Receivable GH¢'000	Financial Assets & Liabilities at amortised cost GH¢'000	Total GH¢'000
<b>Assets</b>						
Cash and balances with Bank of Ghana	-	-	-	-	32,614	32,615
Government Securities	-	-	22,267	-	-	22,267
Due from other Banks and financial institutions	-	-	-	-	45,070	45,070
Investment in other securities	-	-	-	-	323	323
Loans and advances to customers	-	-	-	308,407	-	308,407
Leasing & Hire Purchase Debtors	-	-	-	9,754	-	9,754
Investment in Subsidiaries	-	-	-	-	147	147
Other assets	-	-	-	-	8,397	8,397
<b>Total at 31 Dec 2008</b>	<b>-</b>	<b>-</b>	<b>22,267</b>	<b>318,161</b>	<b>86,551</b>	<b>426,979</b>
<b>Liabilities</b>						
Due to Customers	-	-	-	-	317,820	317,820
Due to banks and other financial institutions	-	-	-	-	48,204	48,204
Interest payable and other liabilities	-	-	-	-	18,609	18,609
<b>Total at 31 Dec 2008</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>384,633</b>	<b>384,633</b>

## Notes to the Consolidated Financial Statements Cont'd

	Designated at Fair Value through Profit or Loss GH¢'000	Held to Maturity GH¢'000	Available for Sale GH¢'000	Loans & Receivable GH¢'000	Financial Assets & Liabilities at amortised cost GH¢'000	Total GH¢'000
<b>Assets</b>						
Cash and balances with Bank of Ghana	-	-	-	-	51,863	51,863
Government Securities	-	-	24,786	-	-	24,786
Due from other Banks and financial institutions	-	-	-	-	73,861	73,861
Investment in other securities	-	-	-	-	323	323
Loans and advances to customers	-	-	-	283,186	-	283,186
Leasing & Hire Purchase Debtors	-	-	-	9,545	-	9,545
Investment in Subsidiaries	-	-	-	-	147	147
Other assets	-	-	-	-	<b>6,632</b>	<b>6,632</b>
<b>Total at 31 Dec 2007</b>	<b>-</b>	<b>-</b>	<b>24,786</b>	<b>292,731</b>	<b>132,826</b>	<b>450,343</b>
<b>Liabilities</b>						
Due to Customers	-	-	-	-	321,213	321,213
Due to banks and other financial institutions	-	-	-	-	80,285	80,285
Interest payable and other liabilities	-	-	-	-	<b>26,029</b>	<b>26,029</b>
<b>Total at 31 Dec 2007</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>427,527</b>	<b>427,527</b>

The fair values of financial assets and liabilities disclosed above, approximates their carrying amounts

## Notes to the Consolidated Financial Statements Cont'd

### 45 EXPLANATION OF TRANSITION TO IFRS

In preparing its opening balance sheet, Merchant Bank Ghana Limited has adjusted amounts reported previously in financial statements prepared in accordance with the previous accounting framework, Ghana Accounting Standards. An explanation of how the transition from GAS to IFRS has affected the bank's financial performance is set below.

### 46 RECONCILIATION OF PROFIT PREVIOUSLY REPORTED UNDER GAS TO THAT REPORTED BY IFRS AS AT 31 DECEMBER 2007

	Note	GAS GH¢'000	Group Adjustments GH¢'000	IFRS GH¢'000	GAS GH¢'000	Bank Adjustments GH¢'000	IFRS GH¢'000
Interest income	a	61,855	4,768	66,623	61,064	4,768	65,832
Interest expense		(29,997)	-	(29,997)	(29,997)	-	(29,997)
<b>Net interest income</b>		<b>31,858</b>	<b>4,768</b>	<b>36,626</b>	<b>31,067</b>	<b>4,768</b>	<b>35,835</b>
Fee and commission income	b	13,330	(388)	12,942	11,823	(388)	11,435
Other operating income		5,701	-	5,701	5,602	-	5,602
<b>Operating income</b>		<b>50,889</b>	<b>4,380</b>	<b>55,269</b>	<b>48,492</b>	<b>4,380</b>	<b>52,872</b>
Operating expense	c	(24,748)	(1,160)	(25,908)	(23,882)	(1,160)	(25,042)
Impairment Loss	d	(10,021)	(15,246)	(25,267)	(10,021)	(15,246)	(25,267)
<b>Operating profit</b>		<b>16,120</b>	<b>(12,026)</b>	<b>4,094</b>	<b>14,589</b>	<b>(12,026)</b>	<b>2,563</b>
Other income		46	-	46	164	-	164
<b>Profit before tax</b>		<b>16,166</b>	<b>(12,026)</b>	<b>4,140</b>	<b>14,753</b>	<b>(12,026)</b>	<b>2,727</b>
Taxation		(4,360)	1,321.00	(3,039)	(4,013)	1,321	(2,692)
Profit after tax Transferred to							
<b>Income Surplus Account</b>		<b>11,806</b>	<b>(10,705)</b>	<b>1,101</b>	<b>10,740</b>	<b>(10,705)</b>	<b>35</b>

## Notes to the Consolidated Financial Statements Cont'd

### 47 RECONCILIATION OF NET ASSETS PREVIOUSLY REPORTED UNDER GAS TO THAT REPORTED BY IFRS AS AT 31 DECEMBER 2007

	<b>GAS</b>	Group	<b>IFRS</b>	<b>GAS</b>	Bank	<b>IFRS</b>
<b>Note</b>	<b>GH¢'000</b>	Adjustments GH¢'000	<b>GH¢'000</b>	<b>GH¢'000</b>	Adjustments GH¢'000	<b>GH¢'000</b>
<b>Assets</b>						
Cash and balances with Bank of Ghana	<b>51,863</b>	-	<b>51,863</b>	<b>51,863</b>	-	<b>51,863</b>
Government Securities	<b>26,509</b>	-	<b>26,509</b>	<b>24,786</b>	-	<b>24,786</b>
Due from other Banks and financial institutions	<b>73,861</b>	-	<b>73,861</b>	<b>73,861</b>	-	<b>73,861</b>
Investment in other securities	<b>1,206</b>	-	<b>1,206</b>	<b>323</b>	-	<b>323</b>
Loans and advances to customers	<b>294,260</b>	(11,073)	<b>283,187</b>	<b>294,260</b>	(11,073)	<b>283,187</b>
Leasing & Hire Purchase Debtors	<b>9,395</b>	150	<b>9,545</b>	<b>9,395</b>	150	<b>9,545</b>
Investment in Subsidiaries	-	-	-	<b>147</b>	-	<b>147</b>
Other assets	<b>90,626</b>	-	<b>90,626</b>	<b>6,632</b>	(2)	<b>6,630</b>
Property and equipment	<b>10,695</b>	82	<b>10,777</b>	<b>10,691</b>	83	<b>10,774</b>
Intangible Asset	-	1,489	<b>1,489</b>	-	1,489	<b>1,489</b>
Taxation	-	<b>1,925</b>	<b>1,925</b>	-	<b>2,033</b>	<b>2,033</b>
<b>Total assets</b>	<b>558,415</b>	<b>(7,427)</b>	<b>550,988</b>	<b>471,958</b>	<b>(7,320)</b>	<b>464,638</b>

## Notes to the Consolidated Financial Statements Cont'd

### 47 RECONCILIATION OF NET ASSETS PREVIOUSLY REPORTED UNDER GAS TO THAT REPORTED BY IFRS AS AT 31 DECEMBER 2007 CONT'D

Note	GAS GH¢'000	Group Adjustments GH¢'000	IFRS GH¢'000	GAS GH¢'000	Bank Adjustments GH¢'000	IFRS GH¢'000
<b>Liabilities</b>						
Due to Customers	320,643	-	320,643	321,213	-	321,213
Due to banks and other financial institutions	80,285	-	80,285	80,285	-	80,285
Interest payable and other liabilities	f 107,601	1,107	108,708	24,922	1,107	26,029
Taxation	1,031	(1,031)	-	923	(923)	-
Deferred Tax	-	1,635	1,635	-	1,635	1,635
<b>Total liabilities</b>	<b>509,560</b>	<b>1,711</b>	<b>511,271</b>	<b>427,343</b>	<b>1,819</b>	<b>429,162</b>
<b>Shareholders' Fund</b>						
Stated Capital	7,000	-	7,000	7,000	-	7,000
Preference Share Capital	1,800	-	1,800	1,800	-	1,800
Capital surplus	g 5,063	1,567	6,630	5,063	1,567	6,630
Income Surplus	25,821	(10,705)	15,116	21,581	(10,705)	10,876
Statutory Reserve Fund	9,171	-	9,171	9,171	-	9,171
Total Shareholders' Fund	48,855	(9,138)	39,717	44,615	(9,138)	35,477
<b>Total Liabilities and Shareholders' Fund</b>	<b>558,415</b>	<b>(7,427)</b>	<b>550,988</b>	<b>471,958</b>	<b>(7,319)</b>	<b>464,639</b>

## Notes to the Consolidated Financial Statements Cont'd

### 48 RECONCILIATION OF OPENING BALANCE SHEET - 31ST DECEMBER 2006 TO 1ST JANUARY 2007

Note	GAS GH¢'000	Group Adjustments GH¢'000	IFRS GH¢'000	GAS GH¢'000	Bank Adjustments GH¢'000	IFRS GH¢'000
<b>Assets</b>						
Cash and balances with Bank of Ghana	22,221	-	22,221	22,221	-	22,221
Government Securities	16,702	-	16,702	15,978	-	15,978
Due from other Banks and financial institutions	55,161	-	55,161	55,161	-	55,161
Investment in other securities	1,200	-	1,200	323	-	323
Loans and advances to customers	218,446	-	218,446	218,482	-	218,482
Leasing & Hire Purchase Debtors	7,412	-	7,412	7,412	-	7,412
Investment in Subsidiaries	-	-	-	147	-	147
Other assets	7,399	-	7,399	5,746	-	5,746
Property and equipment	9,915	(2,026)	7,889	9,910	(2,026)	7,884
Intangible Asset	-	2,026	2,026	-	2,026	2,026
<b>Total assets</b>	<b>338,456</b>	<b>-</b>	<b>338,456</b>	<b>335,380</b>	<b>-</b>	<b>335,380</b>
<b>Liabilities</b>						
Due to Customers	221,925	-	221,925	222,850	-	222,850
Due to banks and other financial institutions	52,980	-	52,980	52,980	-	52,980
Interest payable and other liabilities	28,303	-	28,303	27,483	-	27,483
<b>Total liabilities</b>	<b>303,208</b>	<b>-</b>	<b>303,208</b>	<b>303,313</b>	<b>-</b>	<b>303,313</b>

## Notes to the Consolidated Financial Statements Cont'd

### 48 RECONCILIATION OF OPENING BALANCE SHEET - 31ST DECEMBER 2006 TO 1ST JANUARY 2007 CONT'D

	Note	Group			Bank		
		GAS GH¢'000	Adjustments GH¢'000	IFRS GH¢'000	GAS GH¢'000	Adjustments GH¢'000	IFRS GH¢'000
<b>Shareholders' Fund</b>							
Stated Capital		7,000	-	7,000	7,000	-	7,000
Preference Share Capital			-	-	-	-	-
Capital surplus		5,064	-	5,064	5,064	-	5,064
Income Surplus		15,359	-	15,359	12,177	-	12,177
Statutory Reserve Fund		7,826	-	7,826	7,826	-	7,826
<b>Total Shareholders' Fund</b>		<b>35,249</b>	<b>-</b>	<b>35,249</b>	<b>32,067</b>	<b>-</b>	<b>32,067</b>
<b>Total Liabilities and Shareholders' Fund</b>		<b>338,457</b>	<b>-</b>	<b>338,457</b>	<b>335,380</b>	<b>-</b>	<b>335,380</b>

## Notes to the Consolidated Financial Statements Cont'd

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### NOTES

The adjustments listed above have been described in the notes set out below :

- a. Under GAS, loans granted to staff at concessionary rates were recorded at the amount of principal and interest outstanding. In accordance with IFRS however, such loans are to be recognised at fair value. An adjustment was therefore made to both interest income and staff cost.

Under IFRS, interest income on non performing loans are not to be suspended. A reversal was therefore made to suspended interests

- b. Under GAS, loan origination fees were recognised in Fee and Commissions income on granting the facility. Under IFRS however, fees that are considered to be an intergral part of the effective interest calculation are recognised over the life of the facility.

Fees on Letters of Credit and guarantees were spread over the life of the facility

- c. As explained in note (a) above, staff loans are to be fair valued under IFRS. An adjustment was made to both interest income and staff cost in respect of this

A provision for outstanding leave days was also made

Operating expenses was also adjusted with depreciation differences as a result of revaluation of Property and Equipment

- d. Under GAS, provisions for bad debt were computed based on past due days as set out in the Central Bank's guidelines. A general provision was also required for net current contingent liabilities. Under IFRS, the impairment loss evaluation is done by comparing outstanding loan balances with collateral securities and expected cashflows(discounted to present value). An adjustment was therefore made in accordance with this

- e. Adjustment to reclassify intangible assets(computer software) from Property and Equipment

- f. Deferred fees on loans, letters of credit and guarantees

- g. Revaluation surplus on Property and Equipment

### **49 RECENT ACCOUNTING STANDARDS, AMENDMENTS & INTERPRETATIONS THAT HAVE BEEN ISSUED BUT NOT EFFECTIVE**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements.

## Notes to the Consolidated Financial Statements Cont'd

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- i. IAS 1 presentation of financial statements becomes mandatory for the Merchant Bank Ghana Limited's financial reporting period ending 31 December 2009 will require the presentation of all non-owner changes in equity in a single statement of comprehensive income (which will include the current income statement) and owner changes in equity in the statement of changes in equity. Reclassification adjustments and income tax relating to each component of other comprehensive income must be disclosed on the face of the statement of comprehensive income. Currently this component is the available-for-sale fair value gains/losses reserve.
- ii. Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Bank's 2009 financial statements and will constitute a change in accounting policy for the Bank. In accordance with the transitional provisions the Bank will apply the revised IAS 23 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date.
- iii. IAS 32 Financial Instruments: Presentation and IAS Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation will become mandatory for the 31 December 2009 financial statements. This amendment requires certain puttable instruments that meet the definition of a financial liability to be classified as equity if and only if they meet the required conditions. It is not expected to have any impact on the financial statements.
- iv. IFRS2 amendment Share based payment: vesting conditions and cancellations will become mandatory for the 31 December 2009 financial statements and applies retrospectively. The amendments apply to equity-settled share-based payment transactions and clarify what are vesting and "non-vesting conditions". Vesting conditions are now limited to service conditions (as defined in the current IFRS 2 and performance conditions. Non-vesting conditions are conditions that do not determine whether the entity receives the services that entitle the counterparty to a share-based payment are non-vesting conditions. Non-vesting conditions are taken into account in measuring the grant date fair value and thereafter there is no "true-up" for differences between expected and actual outcomes. These changes will have no impact on the ABL's financial statements.

## Notes to the Consolidated Financial Statements Cont'd

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- v. IFRIC 11 IFRS 2 - Bank and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transactions, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Bank's 2008 financial statements with retrospective application required. It is not expected to have any impact on the financial statements.
- vi. IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements.
- vii. IFRIC 12, which becomes mandatory for the Merchant Bank Ghana Limited Ghana Limited's 2008 financial statements, is not expected to have any effect on the financial statements.
- viii. IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, becomes mandatory for Merchant Bank Ghana Limited Ghana Limited's 2009 financial statements.

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**we provide a  
comprehensive  
range of banking  
services to our  
customers  
and clients, using  
our worldwide  
network of  
correspondent  
banks and agencies**

”

# Local branch networks

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## **ACCRA MAIN BRANCH**

Location: Merban House  
No 44 Kwame Nkrumah Avenue  
Contact Person: The Branch Manager  
Contact No: 233-21 666331-6  
Fax No: 233-21 667305

## **ADABRAKA BRANCH**

Location: Sethi Plaza  
No 123 Kwame Nkrumah Avenue  
Contact Person: The Branch Manager  
Contact No: 233-21 220952  
Fax No: 233-21 24395

## **RIDGE BRANCH**

Location: No 57 Examination Loop,  
North Ridge  
Contact Person: The Branch Manager  
Contact No: 233-21 251131  
Fax No: 233-21 251138

## **TEMA BRANCH**

Location: Plot No A/23/1  
Tema Heavy Industrial Area  
Contact Person: The Branch Manager  
Contact No: 233-22 302399  
Fax No: 233-22 304099

## **KANESHIE BRANCH**

Location: Fisherman's House  
No 54 Winneba Road  
Contact Person: The Branch Manager  
Contact No: 233-21 242688/272232  
Fax No: 233-21 272233

## **NORTH INDUSTRIAL AREA BRANCH**

Location: Kuottam Building,  
North Industrial. Area  
Contact Person: The Branch Manager  
Contact No: 233-21 7012841-3  
Fax No: 233-21 7012846

## **ABEKA BRANCH**

Location: Opsem House Abeka-Lapaz  
Contact Person: The Branch Manager  
Contact No: 233-21 231766/231781  
Fax No: 233-21 231766

## **KUMASI MAIN BRANCH**

Location: No 1 Rain Tree Avenue  
Dwete Fie Near City Hotel  
Contact Person: The Branch Manager  
Contact No: 233-51 23069  
Fax No: 233-51 25915

## **KOFORIDUA BRANCH**

Location: Kama Plaza  
Contact Person: The Branch Manager  
Contact No: 233-81 26294  
Fax No: 233-81 26297

## **TECHIMAN BRANCH**

Location: Q312/2 Main Techiman Street  
Contact Person: The Branch Manager  
Contact No: 233-61 91031-4  
Fax No: 233-653 22389

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**TARKWA BRANCH**

Location: 1ST Floor SIC Building  
Contact Person: The Branch Manager  
Contact No: 233-362 22285  
Fax No: 233-362 22286

**BIBIANI BRANCH**

Location: 23A New Town  
Contact Person: The Branch Manager  
Contact No: 233-61 91031-4

**TAKORADI BRANCH**

Location: Ground Floor SSNIT Building  
Contact Person: The Branch Manager  
Contact No: 233-31 24554  
Fax No: 233-31 24486

**TEMA EAST BRANCH**

Location: Near Ashiaman Roundabout  
Contact Person: The Branch Manager  
Contact No: 233-22 302648  
Fax No: 233-22 302692

**ACHIMOTA BRANCH**

Location: Goil Filling Station near ABC  
Junction  
Contact Person The Branch Manager  
Contact No: 233-21 400778,400480  
Fax No: 233-21 416356

**ASAFO BRANCH**

Location: Behind the Neoplan Station  
Contact Person: The Branch Manager  
Contact No.: 233 – 51 49456-7  
Fax No.: 233 – 51 49459

**AGBOGBLOSHIE BRANCH**

Location: Opposite the Onion Market  
Contact Person: The Branch Manager  
Contact No.: 233 – 21 673220  
Fax No.: 233 – 21 673391

**ABOSSEY OKAI BRANCH**

Location: Adjacent to Fan Milk Depot  
Contact Person: The Branch Manager  
Contact No.: 233 – 21 682185  
Fax No.: 233 – 21 682183

**OSU BRANCH**

Location: No 11th Lane, Behind the Old  
American Embassy  
Contact Person: The Branch Manager  
Contact No.: 233 – 21 763296  
Fax No.: 233 – 21 775017

**BANTAMA BRANCH**

Location: Bantama High Street  
Contact Person: The Branch Manager  
Contact No: +233 51 49195 / 49197 / 49198  
Fax No: 233 51 49196

**MERBAN INVESTMENT HOLDING LIMITED**

No. 57 Examination Loop,  
North Ridge – Accra  
P.O.Box 401, Accra – Ghana  
Tel: 233-21 251131-3  
Fax: 233-21 251138

**MERBAN STOCKBROKERS LIMITED**

No. 57 Examination Loop,  
North Ridge – Accra  
P.O.Box 401, Accra – Ghana  
Tel: 233-21 251131-3  
Fax: 233-21 251138

# Main corresponding Banks

## **NATIONAL WESTMINSTER BANK PLC**

8th Floor Phase 2  
King's Cross House  
200 Pentonville Road  
London N1 9hl

## **BAYERISCHE LANDESBANK**

Girozentrale  
80277 Muenchen  
Germany  
Swift Code: Bylademm

## **CITIBANK N.A.**

111 Wall Street  
New York, Ny 10043  
Swift Code: Citius33

## **BAYERISCHE-HYPO VEREINS BANK**

Am Tucherpark 16  
80538 Munich, Post Fach 100101  
Germany  
Swift Code: Hyvedemm

## **ABN AMRO BANK N.V**

Amsterdam Netherlands  
Swift Code: Abnanl2a

## **GHANA INTERNATIONAL BANK**

69 Cheapside  
P.O.Box 77  
London Ec2 P2 Bb  
United Kingdom  
Swift Code:ghibgb2l

## **UBS AG**

Postfach 8098  
Europastrasse 2  
8152 Opfikon  
Zurich, Switzerland  
Swift Code: Ubswchzh80a

## **ANZ BANK PLC**

Minerva House, Montague Close  
London Se1 9dh  
Swift Code: Anzbgb2l

## **ABSA CORPORATE BANK LTD**

Financial Institutions  
P O Box 4854  
Johannesburg 2000  
Republic Of South Africa  
Swift Code: Absazajj

## **BHF - BANK**

Bockenheimer  
Landdestrasse 10  
D-6000 Frankfurt Am Main 1  
Germany  
Swift Code: Bhfbdeff

## **HSBC SOUTH AFRICA**

Hsbc Place, 6-9 Riviera Road  
Houghton, 2198 South Africa  
Private Bag 951,Houghton  
South Africa  
Swift Code:hsbczajj

## **LLOYDS TSB BANK PLC**

Overseas Division  
6 Eastcheap  
London Ec3p 3ab  
Swift Code: Loydgb2l

## **FIRST INTERNATIONAL MERCHANT BANK LTD**

The Plaza Commercial Centre  
Bisazza Street  
Sliema Slm 15  
Malta, Swift Code: Fimbmtm3

## **BANCA NAZIONALE**

Del Lavoro  
Centro Amministrativo  
Recapito Postale Bnc  
Spa 00163 Roma  
Italy Swift Code: Bnl11trr

## **COMMERZBANK AG**

Neve Mainzerstrasse 32-36  
60311 Frankfurt Am Main  
Germany  
Swift Code: Cobadeff

## **DZ BANK**

Am Platz De Republik  
60265 Frankfurt Am Main  
Germany  
Swift Code: Genodeff



Merchant Bank Gh. Ltd.  
Tel: +233 021 666331-5 / 7011718/26  
E-mail: [info@merbangh.com](mailto:info@merbangh.com)  
Web: [www.merchantbank.com.gh](http://www.merchantbank.com.gh)