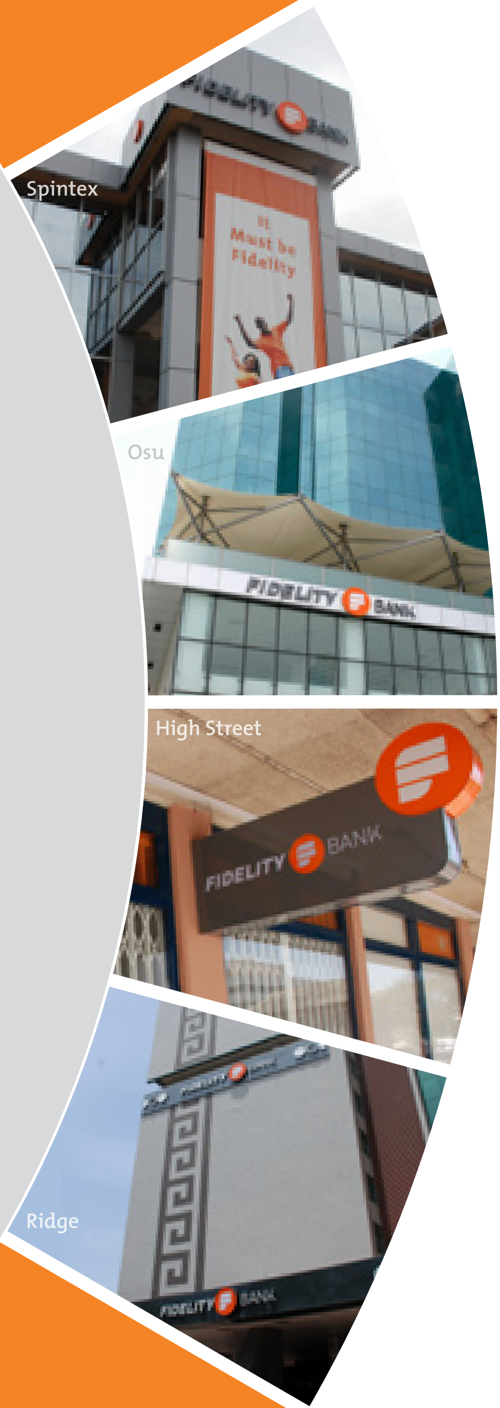
FIDELITY BANK



Annual Report 2008

Financial Highlights

For the year ended 31 December, 2008

	2008 GH¢	2007 GH¢	2006 GH¢
Net Operating Income	14,903,112	7,839,423	2,713,245
Profit before Tax	2,663,537	477,080	(1,359,304)
Net profit/ Loss	2,418,416	462,386	(1,485,872)
Total Shareholder's Equity	9,623,114	7,023,385	6,700,222
Total Deposits	200,860,800	132,377,956	67,894,010
Total Assets	219,431,445	146,389,351	80,207,217
Ratios			
Capital Adequacy	11.7%	12.30%	55.30%
Cost Income Ratio	81.7%	87.60%	-142.88%
Return on Equity	25.1%	6.51%	-21.16%

Corporate Profile

FIDELITY BANK

PROFILE

Fidelity Bank was issued with its Universal Banking License on June 28th 2006, making Fidelity Bank Limited, the 22nd bank to be licensed by the Bank of Ghana under the new Banking Act, 2004 (Act 673). The Bank is owned by Ghanaian individual and institutional investors including ADB and SSNIT, and also by its staff.

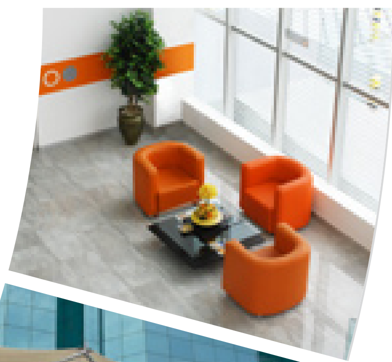
The Bank was formerly Fidelity Discount House, the leading discount house in Ghana. After operating profitably for 8 years, the business environment in the country attracted investors to the idea of establishing a bank.

Fidelity Bank has a team of high calibre staff with diverse skills and experience. The Bank has invested heavily in technology and continues to invest heavily in training to ensure that it is at par with the best in the world. Fidelity Bank offers a comprehensive range of products and services to meet the banking and financial needs of existing and potential customers.

Fidelity Bank has two corporate affiliates:
Fidelity Capital Partners Limited (FCPL), and Fidelity Asset Management Limited (FAML).

Fidelity Capital Partners Limited (FCPL) is the leading venture capital and private equity fund manager in Ghana and manages the Fidelity Equity Fund 1.

Fidelity Asset Management Limited (FAML) is an Asset Management and Investment firm. The main objective of FAML is to create value for personal as well as corporate investors by investing in the Capital and Money markets. Their expertise is in Provident Fund Management.



VISION

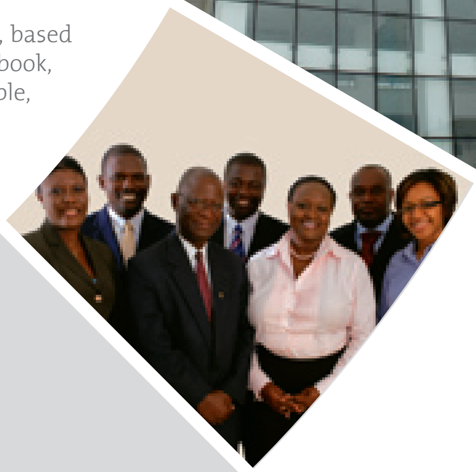
Fidelity Bank's vision is to become a world-class financial institution that provides superior returns for all stakeholders as follows:
Our customers: The best place to bank
Our shareholders: The best place to invest
Our employees: The best place to work
Our regulators: The best place to benchmark

With strong people, technology and financial capital, Fidelity Bank is looking forward to active participation in the banking industry locally.

MISSION

To be amongst the top five banks in Ghana by December 2012, based on all key performance indicators: deposits, fees, quality of loan book, cost to income rate, and anchored on three key pillars - our people, our service and processes, and return to stakeholders.

This will be premised on its exceptional Corporate Governance Standards', knowledge of the local market, professionalism, proactivity, innovation and above all its customer-centric culture. This will contribute positively to the development of the industry and by extension the Ghanaian economy.



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Corporate Information

Directors

William Panford Bray
[Chairman]

Edward Effah
[Managing Director]

Jim Baiden
[Deputy Managing Director]

Peter Illiasu
[Executive Director - Appointed, 9 Sept. 2008]

Kwamina Duker
[Non-Executive Director]

Dr. Percival Alfred Kuranchie
[Non-Executive Director- Appointed, 9 Sept. 2008]

Peter Osei-Duah
[Non-Executive Director- Resigned, 31 Oct. 2008]

Company Secretary

Annita Bedzra
[Ag. Company Secretary]

Registered Office

Fidelity Bank
Ridge Tower, 10 Ambassadorial Enclave
West Ridge, Accra, Ghana

Solicitors

Exusia Law Consult Ltd
5th Floor Trust Towers, Adabraka
P. O. Box CT 6184
Cantonments, Accra

Auditors

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

Chairman's Statement

Distinguished Shareholders,

It is my privilege to welcome you to the fourth Annual General Meeting of Fidelity Bank Limited and to present to you the Chairman's Statement and the Directors Annual Report for the year ended 2008. After a second full year in operation, your company continues to record modest growth in profit and volume of business amidst challenges posed by heightened local competition and the global financial crisis.

Operating Environment

The world economy was projected to grow at around 4.8% in 2008, slower than the 5.2% growth rate of 2007. However, the world witnessed an economy mired in the most severe financial crisis since the great depression. The mortgage crises in the United States of America developed stresses in the US financial markets which transformed into a full blown global financial crisis and contributed to the recession in the global economy.

Several major financial institutions in the US and Europe failed, stock markets tumbled and commodity prices declined. Businesses both large and small, experienced declining consumer demand and have responded by reducing employee levels.

As the crisis intensified, the effects on developing countries increased in step; risk aversion heightened, causing capital flows to decline and equity markets tumbling.

In Ghana, increasing crude oil prices to near US$150 per barrel caused domestic prices of fuel to increase and fuelled inflationary pressures across general goods and services.

The fact that 2008 was an election year did not do much to help business generation in the domestic economy. Agencies that traditionally secured business mandates from the government and quasi-government agencies found it difficult to get any meaningful jobs this time around.

Consequently, business arriving at the bank for funding support also dwindled considerably with negative ramifications for revenue generation. In most cases; the performance of the economy in 2008 was below budget, due largely to a combination of factors including crude oil price shocks in the first half of the year and a relaxed fiscal discipline in an election year. A GDP growth of 7.20% was achieved as against a projected 7.0%. An end-of-year inflation of 18.10% recorded was a long shot from an end-of-year target of 8%. An overall budget deficit including divestiture was 11.5% of GDP against a target of 4% of GDP and the country could only manage gross international reserves of 1.8 months import cover against a target of at least 3.0 months of import cover.

The Bank of Ghana prime rate was adjusted upwards which led to an upward trend in money market rates and to which the banks also responded by increasing their base rates. The Ghana Cedi depreciated by 26% against the US Dollar in nominal terms.

2008 Financial Performance

In only the second full year of operation as a fully fledged bank, your Bank in 2008 made significant strides in revenue generation leading to an end-of-year profit after tax of GH¢2,418,416.00 representing a growth of about 423% over the 2007 profit of GH¢462,386.00. Total assets of the bank grew from GH¢146.4 million in 2007 to GH¢219.4 million in 2008, a growth of 50%.

In tandem with this, deposit liabilities grew by 52% from GH¢132.4 million to GH¢200.8 million.

Dividend

The Board did not recommend the payment of dividend this year. In lieu of our capital raising plans to meet Bank of Ghana's new minimum capital requirements, the board approved the retention of the 2008 profits in the Bank to improve its capital base.

Corporate Governance

Fidelity continued to practice excellent corporate governance culture consistent with the mandatory legal provisions. The Board ensured good internal control processes, compliance with regulatory requirements and strict adherence to rules and regulations. Committees of the board include the Audit Committee and the Credit Committee. The Board through these committees and other management committees work to ensure that sound business ethics are practised.

Directors

In 2008, one director resigned from the board. Mr. Peter Osei-Duah, who until 31st October 2008 was the SSNIT representative on the board had to step down as a result of work over-load. We are yet to be advised of his replacement. Mr. Peter Iliasu was promoted as Executive Director and appointed to the board effective 9th September 2008. On the other hand, Dr. Percival Alfred Kuranchie was appointed to the Board on 9th September 2008 to represent Agricultural Development Bank.

Capitalization

In line with the Bank of Ghana's directive for all banks in the country to meet the newly prescribed capital requirement of GH¢60 million by 2012, the management has put in place a team to advise on options available for Fidelity to raise the additional capital. A resolution will be laid before shareholders at the fourth Annual General Meeting on 24th April 2009 to seek their consent to raise additional capital of up to GH¢30 million through a Rights Issue and Private Placement.

Awards

Your Bank's impressive growth record was recognized at the Banking Awards night with a winner's certificate for the "Best Growing Bank" award and 2nd runner-up certificate for "Product Innovation" award both for 2007. All stakeholders are resolved to continue to work hard to build Fidelity into a world class bank.

Conclusion and Outlook for 2009

Despite the global economic downturn, we are confident that our sound corporate governance culture and superior business strategy and people will continue to translate into increasing profits and improved shareholder value in 2009.

On behalf of the Board, I wish to acknowledge the contributions of all shareholders, directors, management and staff in bringing Fidelity Bank this far. We are confident that your commitment and support will enable us continue in our impressive growth path.

Thank you.

William Panford Bray
Board Chairman

Managing Director's Report

Introduction

It is with great pleasure that I report to you our Bank's second full year of banking operations. The Bank recorded tremendous growth in profit after tax from GH¢462,386 to GH¢2,418,416 representing a growth of 423%. This stellar performance was against the backdrop of significant economic challenges both domestically and on the international front. Record high oil prices and a crippling financial market meltdown have led to the worst global economic condition since the Second World War. As the economic conditions worsen, countries like Ghana are expected to feel the brunt in subsequent years. That notwithstanding, Ghana's economy grew by between 7.3% and Fidelity is firmly positioned to take advantage of significant opportunities that still abound in the country.

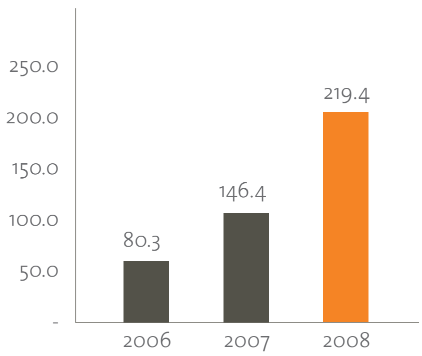
Business Review

Fidelity Bank has fully adopted the International Financial Reporting Standard (IFRS) in presenting the 2008 financial reports. This is in line with the Bank of Ghana requirements and demonstrates our commitment to regulatory compliance.

Total Assets for the year grew from GH¢146.4 in 2007 to GH¢219.4 in 2008 representing a growth of 50%.

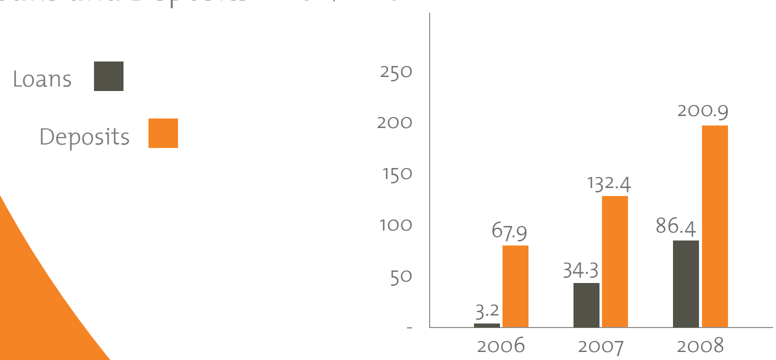
Total Assets

GH¢ 'million



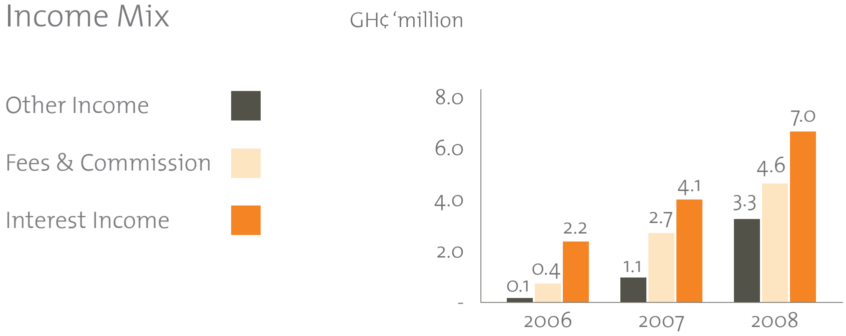
Loans and Deposits

GH¢ 'million



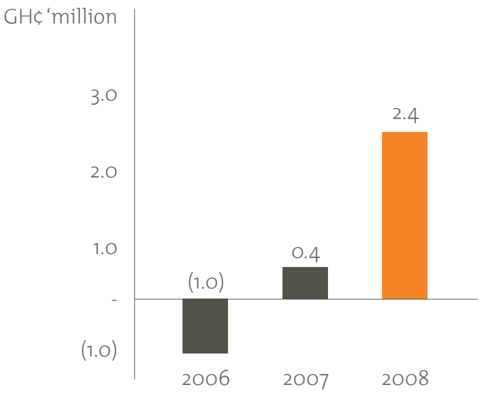
While growing our loan book, we have been very selective in the choice of projects and businesses we finance. We have prudently invested in short term securities rather than engage in high risk projects. Our deposits have also increased from GH¢132million to GH¢201million.

Income Mix



We have seen our income mix also improve steadily over the period under review. Fee income grew by 258% to GH¢4.6million whilst Net Interest Income increased by 77% to GH¢7.0million.

Net Profit



The combined contribution of all our business units resulted in an increase in Profit after Tax of GH¢ 2.4 million representing a growth 423%.

Capital Injection

Significant progress has been made in respect of raising additional capital for the bank. The Corporate Finance department has initiated processes towards raising additional capital of up to GH¢30million. Fidelity is on course to meet the Bank of Ghana requirements far in advance of the 2012 deadline. An injection of capital will further boost Fidelity's capacity to compete effectively against the larger banks in the country. Resolutions have been forwarded to all shareholders to participate in the capital raising through a Rights Issue and Private Placement.

Members of Staff

Our Bank has continued to build its workforce on the vision of recruiting the best human resources in the industry. In 2008, the Bank recruited 36 National Service personnel in our commitment to giving graduates an opportunity to learn special skills whilst serving the country, 137 regular staff in line with the expansion in branch network and an additional 100 Fidelity Sales Ambassadors (FSA's) to support the bank's deposit mobilization drive. As we grow, we will endeavour to maintain the best working environment for our employees whilst contributing significantly to their growth and development.

Social Responsibility

Fidelity continues to live up to its corporate social responsibility.
In 2008, we supported the development of literature for children to help improve their reading habits in the last year by co-sponsoring the 2008 Scripps Spelling Bee Competition for various Junior High Schools. Fidelity Bank has also stretched out to the Financial Aid Office by donating funds in support of Bright but Needy students of the University of Ghana. We also extended scholarships to three female students of Opportunities Industrialization Centers International (OIC) to complete their vocational studies.

Business Outlook for 2009

The year 2009 promises to be a very exciting year. We expect to continue our strong growth and advancement with both retail and wholesale banking segments.

Post Bank

I am pleased to inform you that Fidelity Bank has signed a joint venture agreement with Ghana Post to set up the Fidelity Postbank. Under this arrangement, Fidelity Bank will roll out full service branches at various post office locations around the country. This strategy will provide Fidelity immediate scale and allow us to spread our first class services to various locations around the country. We expect significant contributions to be made to our retail segment this year in terms of deposit mobilization with the implementation of Postbank. Our pilot project at the Kumasi Baba Yara Stadium Post Office has yielded excellent results and the prospects look even brighter.

Corporate Finance

We have also set up a Corporate Finance department within the bank. The team will spearhead our capital raising exercise and subsequently lead our financial advisory business including mergers & acquisitions and other strategic initiatives. We expect to see further income being generated from this unit and a general contribution being made to the overall business.

Money Transfer

I am proud to also inform you that Fidelity has also entered the money transfer market through our partnership with global money transfer giants - Moneygram. We are confident that the money transfer business is still viable and there exists immense potential for the bank to earn profitable market share.

Conclusion

In conclusion, I believe Fidelity Bank is well positioned to take advantage of the opportunities in our wholesale and retail business units to achieve sustainable growth and profitability in the long-term.

We also count on the support and dedication of our Board of Directors and all stakeholders without whom we could not have achieved the results we recorded in the last year. With their continued support and commitment and dedication of all employees across the group, we can look forward to 2009 and beyond with confidence.

Edward Effah
Managing Director

Current Account

DISCOVER A NEW STANDARD OF FREEDOM.

The first step to this discovery is simple. Just open a Fidelity current account and gain access to a world of innovative products and services.

Board of Directors

William Panford Bray

Chairman

Mr. William Panford Bray is a former Managing Director of the Ghana Commercial Bank – from 1999-2002. He was Acting Chairman/Chief Executive Officer of Ghana Airways between 2002 and 2003. He has over 40 years of working experience in banking and finance. Mr Bray currently serves as the Chairman of Enyan Denkyira Rural Bank Limited; Vice Chairman, Opportunities Industrialization Centre, Ghana and Kantamanto Savings and Loans Company Limited. He is a director of Oak House Limited; Director, Association of Insolvency and Restructuring Advisors and a Member, Northern Ghana Education Trust Fund; Member, Methodist University College of Ghana Endowment Fund; Member, Rotary Club of Accra, District 9100. Mr. Bray has been honored with various awards including Life Fellow, International Biographical Association (LFIBA), International Man of the Year. Mr. Bray is an avid golfer and enjoys walking and gardening.

Edward Effah

Managing Director

Edward Effah is the Managing Director and Chief Executive Officer of Fidelity Bank Limited. He is also the founder of the Fidelity Group and has been its Chief Executive Officer since inception (1998). Edward has over 20 years experience as a Senior Finance Executive. Previous positions held include: Resident Director of Global Emerging Markets Ghana Limited (GEM), Group Risk Manager of Rudolf Wolff, the City of London based derivatives and foreign exchange trader and as a Management Consultant and Audit Manager with Coopers and Lybrand, London. Other directorships held by Edward are: Fidelity Capital Partners Limited, Fidelity Equity Funds Limited, Takoradi International Company Limited, GAFCO Limited and Africa Capital Limited. Edward is a chartered accountant by profession and is a member of the Institute of Chartered Accountants in England and Wales.

Jim Baiden

Deputy Managing Director

Jim Baiden is the Deputy Managing Director of Fidelity Bank, with responsibilities for Treasury and Banking Operations amongst others. Prior to that, Jim served as Executive Director of Fidelity Discount House from 2002 after serving as the General Manager since the company's inception. He has had an illustrious 15 year career as a leading Treasury Manager and Investment Banker in the Ghanaian money markets. In 1986, Jim worked at National Investment Bank in various capacities including Eastern Regional head, overseeing branch banking and projects.

Jim has also gained extensive international experience is an alumnus of Gerard & National, London and the Darden School of Management, University of Virginia, USA. Jim holds a Masters Degree in Banking & Finance from the Finafrica Foundation, Milan, Italy and a Bachelor's degree in Economics with Statistics from the University of Ghana, Legon.

Peter Amadu Iliasu
Executive Director

Peter Iliasu joined Fidelity in March 2006 from Barclays Bank Ghana Limited. Peter has fifteen years of progressive, professional experience in Banking and Finance, with an extensive corporate banking background. He has worked in various capacities with Barclays Bank of Ghana, Standard Chartered Bank, Merchant Bank, Deloitte and Touché and BCCI Bank. Peter has a thorough knowledge of the Ghanaian banking environment, corporate client network and also has a proven record in building profitable client relationships. At Barclays Bank, he was the Head, Business Banking. Peter graduated with a BA in History from the University of Ghana. He is an Associate of City Banking College and holds an MBA (Financial Resources) from the University of Hull in the United Kingdom.

Kwamina Duker
Non Executive Director

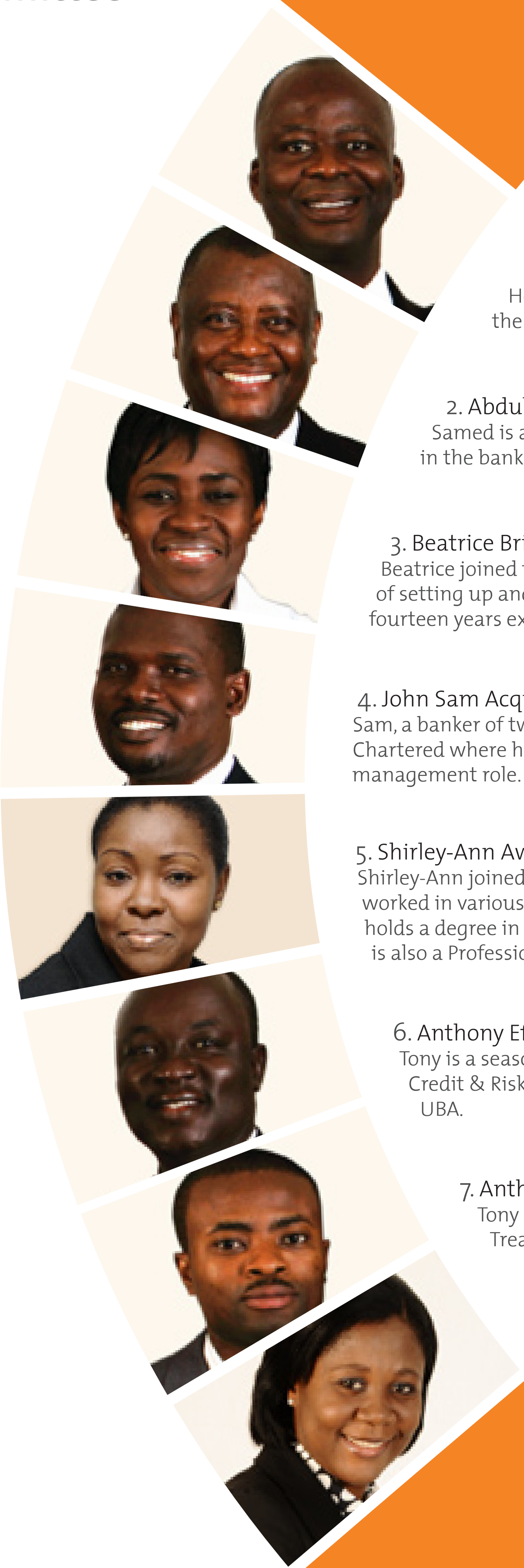
Mr. Duker is the Global Head of dbFX and Head of Global Liquidity Services for Asia Pacific at Deutsche Bank, responsible for foreign exchange sales and marketing to retail investors. He is also instrumental in promoting the Deutsche Bank's eFX franchise for Asia Pacific. dbFX (www.dbfx.com.hk) is an online foreign exchange margin trading service, which offers real time streaming prices. Mr. Duker joined the Deutsche Bank's FX division in 1999. Prior to the current position, he was the Global Head of FX Margin with the bank. Previously, he worked for WestLB as Head of Financial Institutional Sales. Mr. Duker holds an MBA from UCLA, United States.

Dr. Percival Alfred Kuranchie
Non Executive Director

Dr. Kuranchie has consulted for the World Bank, the Canadian International Development Agency (CIDA) and the USAID. He has served on the Boards of fifteen major corporations and organizations including the Ghana Commercial Bank, the Agricultural Development Bank, Ghana International Bank (PLC) London, the Ghana Educational Trust Fund (GET Fund) and Forest Plantation Development Fund.

Dr. Kuranchie was given the award of the Marketing Personality of the Year in 1993 by the Chartered Institute of Marketing Ghana (CIMG) and was twice honoured in 1986 and Year 2000 by the Head of State for his outstanding contribution to Ghana's Agricultural Development. He was a part time lecturer in International Trade, Marketing and Commodity Analysis 1973 – 1982 at the University of Ghana and a Research Officer at the Food Research Institute of the Council for Scientific and Industrial Research (CSIR) for eight years.

Executive Committee



1. **Baba Issah,** Director, Finance
Baba is a Chartered Accountant by profession and has had immense experience in the banking sector for over twenty-two years. He joined Fidelity from Barclays Bank where he was finance director for the last ten (10) years.

2. **Abdul-Samed Iddrisu,** Director, Transaction Banking
Samed is an accomplished IT expert with over eighteen years experience mainly in the banking industry. Samed joined Fidelity from Stanbic.

3. **Beatrice Bridget Ofei,** Director, Human Resources
Beatrice joined from Western Telesystems Ghana Limited and comes with experience of setting up and building HR infrastructure in start-up environments. BB has over fourteen years experience in various core HR activities.

4. **John Sam Acquah,** Director, Personal and Business Banking
Sam, a banker of twelve years experience joined Fidelity from Standard Chartered where he supported branches in sales efforts in a senior management role.

5. **Shirley-Ann Awuletey-Williams,** Ag. Head, Risk Management
Shirley-Ann joined Fidelity in May 2008 from Merchant Bank Gh. Ltd having worked in various capacities. She is currently the Head of Risk Management, and holds a degree in Agricultural Economics from the University of Ghana, Legon. She is also a Professional Member of the Chartered Institute of Bankers Ghana.

6. **Anthony Effah,** Director, Corporate Banking
Tony is a seasoned banker of eighteen years experience in Foreign Operations, Credit & Risk Management, Trade Finance among others. He joined Fidelity from UBA.

7. **Anthony Bennin,** Director, Treasury Services
Tony is a young dynamic banker with eight years experience in the Treasury function. He joined Fidelity from SG SSB.

8. **Annita Bedzra,** Ag Head, Legal & Company Secretary
Annita acted as Head, Legal and Company Secretary of the Bank in most parts of 2008. Annita holds a Bachelor of Law (LLB) degree from the University of Ghana Legon, and a Barrister-at-Law (LB) Certificate from the Ghana School of Law. Annita has over ten (10) years experience in both private and corporate law practice.

Bright Kids Account

GIVE YOUR CHILD A HEAD START IN LIFE.

Cultivate the savings habit in your child with the Fidelity Bright Kids Account.

Open a Fidelity Bright Kids Account for your child today with an initial deposit of GH¢50.00, and take advantage of the exceptional benefits that come with this account.

Give your child a head start in life by providing the best foundation today.

FIDELITY BRIGHT KIDS ACCOUNT

Brilliant Things For Bright Kids!

From left to Right

Emmanuel Agyenim-Boateng
(Relationship Officer)

Peter Iliasu
(Executive Director,
Wholesale Banking)

Yolanda Barnes
(Head, Energy and
Public Sector)

Joseph Quashie
(CEO, Josren Ventures Ltd)

Jamila Issah Zomah
(Relationship Officer)

Visit to the 49.5 MW Tema Thermal (2)Power Plant Project Financed by Fidelity Bank

Fidelity Bank financed a 49.5 MW Thermal Plant with Atholl Energy and sub-contractor Jorsen Ventures Company Limited for the Ministry of Energy.

This project was at a cost of GBP 32 million and the aim was to help deal with energy shortages in the country. The project comes at a critical time in the history of Ghana to support government initiative of sustainable energy supply for the future.

F.L.I.P. Account

CREATE WEALTH WITH A FIDELITY LIFESTYLE INVESTMENT PLAN.

With a Fidelity Lifestyle Investment Plan (FLIP) Account, you accumulate wealth by putting aside every month, a minimum sum of GH¢30 which attracts an interest pegged at the 91 day T bill yield.

With a FLIP account, you are assured of an instant credit line* when you need funds.

* after 3 months of successive contribution

Director's Report

In accordance with the requirements of Section 132 of the Companies Code, 1963 (Act 179), the Directors have the pleasure in presenting the annual report for the twelve months ended 31 December, 2008.

Principal Activities

The company carries on the business of financiers, bankers and banking. The company operates as a bank under the Banking Act, 2004, Act 673. The Bank is regulated by the Central Bank.

Nature of Business

The bank is permitted by its regulations to carry on inter alia, the business of banking in all aspects and other businesses and agencies incidental thereto. There have been no changes in the nature of business of the Bank during the year under review. The main activities are as follows:

- To carry on the business of banking;
- To undertake loan syndications, securities portfolio management and corporate finance operations;
- To carry on the business of acceptance of Bills of Exchange and Export Trade Financing and development; and
- To engage in the business of high -purchase financing and the business of financing the operations of leasing companies.

Associate Business

Fidelity Capital Partners Limited (FCPL), an associate company of the Bank, in the year under review, maintained its licensed business as Investment Advisors and Managers of Venture Capital Funds. The nature of the business of FCPL did not change.

Fidelity Asset Management Ltd (FAMAL), a fully owned subsidiary of the bank, also maintained its licensed business as fund managers during the year. The nature of the business of FAMAL also did not change.

Review of the Business

The company traded well during the year and the directors are satisfied that the underlying quality of the business is sound and that profitable returns can be earned within the foreseeable future as planned.

Financial Performance

The financial results for the year ended 31 December 2008, were generally impressive inspite of the unstable economic environment in which we operated. An operating profit before tax of GH¢2,663,537 was achieved in 2008 as against an operating profit of GH¢309,909 in 2007. Net interest income accounted for 47% of operating income while fees, commissions and other incomes provided the remaining 53%.

The bank's net worth position improved significantly from GH¢7.02 million as at 31 December 2007 to GH¢9.62 million at 31 December 2008. This was mainly due to money from the 2nd call on shares, the profit for the year and the first-time adoption of IFRS. The focused drive to stabilise the business and to improve on our balance sheet resulted in a significant increase in total assets from GH¢146 million as at 31 December 2007 to GH¢219 million on 31 December 2008. The assets were supported with total deposit liabilities of GH¢203 million as against GH¢134 million during the last comparative period.

Income statement 2008	GH¢
Net profit before taxation	2,663,537
From which is deducted taxation of	(245,121)
Thus leaving a balance transferred to	
Income surplus account of	2,418,416
Statutory reserves	(729,150)
Regulatory capital reserve	(544,029)
	1,145,237
Retained loss brought forward	(1,137,972)
Income surplus as at 31 December, 2008	7,265

Dividend

The directors do not recommend the payment of dividend for the year (2007: nil) for declaration by shareholders.

Auditors

In accordance with Section 134(5) of the Companies Code, 1963, the auditors, Messrs. Deloitte & Touche, will continue as auditors of the bank.

Staff

The staff remained highly motivated throughout 2008. There were however, eleven (11) resignations by employees who left to pursue private interests. Seventy-six (76) new hands were recruited in the course of the year to support the bank's growth and expansion program. Generally, the entire staff exhibited keen commitment to their assignments and strong loyalty to the bank during the year.

Outlook

With the launch of seven (7) new branches during 2008 bringing it to a total of twelve (12) branches, coupled with the sound operational structures put in place, we expect to meet our objectives for 2009, even though the banking arena will be very competitive.

As interest rates rise, and the banking public now becoming more interest rate sensitive, indications are that the 2009 business environment will be very challenging. Margins have dwindled due to rise in cost of funds. The bank plans to broaden the sources of deposits within the business sector in order to build a bigger balance sheet to support its operations. The broad-base approach combined with increased net interest margin should enable the bank to achieve its revenue targets in 2009. Management would pursue an aggressive marketing campaign to support staff efforts at attracting new customers and business, whilst providing excellent services to all.

On behalf of the board

William Panford Bray
Chairman

Edward Effah
Managing Director

Statement of Directors' Responsibilities

The directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the bank at the end of the financial year and of the profit and loss of the bank for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether the applicable accounting standards have been followed
- Ensure that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the bank will continue in business.

The directors are responsible for ensuring that the bank keeps accounting records which disclose with reasonable accuracy the financial position of the bank and which enables them to ensure that the financial statements comply with the Companies Code 1963 (Act 179) and the Banking Act, 2004 (Act 673) and the Banking (Amendment) Act 2007 (Act 738). They are responsible for safeguarding the assets of the bank and hence for taking steps for the prevention and detection of fraud and other irregularities.

The above statement, which should be read in conjunction with the statement of the auditors' responsibilities on page 6, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and the auditors, in relation to the financial statements.

Independent Auditor's Report

We have audited the accompanying financial statements of Fidelity Bank Limited on pages 7 to 48 which comprise the balance sheet as at 31 December, 2008, and 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 company 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 financial statements give a true and fair view of the financial position of the company 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.

Report on Other Legal and Regulatory Requirements

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 balance sheet and 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 in the Banking Act 2004 (Act 673) and the Banking (Amendment) Act 2008 (Act 738).

Chartered Accountants
Accra, Ghana

Deloitte & Touche

March 25th, 2009

Income Statement

For the year ended 31 December, 2008

	Notes	CONSOLIDATED 2008 GH¢	CONSOLIDATED 2007 GH¢	THE BANK 2008 GH¢	THE BANK 2007 GH¢
Interest income	4	22,011,036	14,299,501	21,982,228	14,280,365
Interest expense	5	(14,976,180)	(10,201,588)	(14,976,180)	(10,201,588)
Net interest income		7,034,856	4,097,913	7,006,048	4,078,777
Fees and commissions	6	4,578,784	2,659,058	4,474,754	2,610,144
Other operating income	7	3,289,472	1,082,452	3,267,849	1,071,474
Operating income		14,903,112	7,839,423	14,748,651	7,760,395
Operating expenses	8	(12,182,543)	(6,867,212)	(12,114,361)	(6,852,383)
Impairment	10	(96,432)	(514,476)	(96,432)	(514,476)
Operating profit		2,624,137	457,735	2,537,858	393,536
Share of profit of associate	19	39,400	19,345	-	-
Profit before taxation		2,663,537	477,080	2,537,858	393,536
Income tax expense	11	(233,540)	(9,918)	(211,905)	6,269
Share of income tax expense of associate		(11,581)	(4,776)	-	-
Profit after taxation for the year transferred to income surplus account		2,418,416	462,386	2,325,953	399,805

Income Surplus Account

For the year ended 31 December, 2008

	CONSOLIDATED 2008 GH¢	CONSOLIDATED 2007 GH¢	THE BANK 2008 GH¢	THE BANK 2007 GH¢
At 1 January	(1,137,972)	(1,446,903)	(1,192,897)	(1,439,247)
Transfer from profit and loss account	2,418,416	462,386	2,325,953	399,805
Transfer to statutory reserves	(729,150)	(153,455)	(729,150)	(153,455)
Transfer to regulatory capital reserve	(544,029)	-	(544,029)	-
At 31 December	7,265	(1,137,972)	(140,123)	(1,192,897)

The accompanying notes form an integral part of these financial statements.

Balance Sheet

For the year ended 31 December, 2008

	Notes	CONSOLIDATED 2008 GH¢	CONSOLIDATED 2007 GH¢	THE BANK 2008 GH¢	THE BANK 2007 GH¢
Assets					
Cash and balances with Bank of Ghana	12	18,826,742	7,443,445	18,826,742	7,443,445
Financial investments	13	59,501,843	58,399,304	59,318,533	58,264,501
Due from other banks and financial institutions	14	47,870,702	39,855,062	47,835,266	39,809,377
Loans and advances to customers	16	86,424,961	34,293,379	86,424,961	34,293,379
Other assets	17	2,511,730	3,360,830	2,482,117	3,342,013
Amounts due from associated companies	18	51,356	51,356	86,092	86,092
Investment in associate	19	93,778	65,959	161,000	161,000
Current tax asset	11	-	139,911	-	153,188
Deferred tax asset	11	298,982	-	298,982	-
Property and equipment	20	3,312,419	2,266,948	3,292,431	2,264,874
Intangible assets		538,932	513,157	538,932	513,157
Total assets		219,431,445	146,389,351	219,265,056	146,331,026
Liabilities					
Customer deposits	21	157,785,366	121,368,706	157,785,366	121,368,706
Balances due to Bank of Ghana		-	1,000,000	-	1,000,000
Due to other banks		43,075,434	10,009,250	43,075,434	10,009,250
Interest payable and other liabilities	22	6,915,172	4,626,973	6,912,472	4,623,573
Current tax liability	11	32,359	-	16,058	-
Deferred tax liability	11	-	361,037	-	361,037
Subordinated shareholders' loan	23	2,000,000	2,000,000	2,000,000	2,000,000
Total liabilities		209,808,331	139,365,966	209,789,330	139,362,566
Shareholders' fund					
Stated capital	24	8,617,388	7,172,388	8,617,388	7,172,388
Statutory reserves		993,582	264,432	993,582	264,432
Available for Sale reserves		(539,150)	724,537	(539,150)	724,537
Regulatory credit risk reserve		544,029	-	544,029	-
Income surplus		7,265	(1,137,972)	(140,123)	(1,192,897)
Shareholders' fund		9,623,114	7,023,385	9,475,726	6,968,460
Total liabilities and shareholders' fund		219,431,445	146,389,351	219,265,056	146,331,026

The accompanying notes form an integral part of these financial statements.

Approved by the Board on 23rd March, 2009

William Panford Bray
Chairman

Edward Effah
Managing Director

Statement of Changes in Equity

For the year ended 31 December, 2008

	Stated Capital GH¢	Statutory reserves GH¢	Available for Sale Reserves GH¢	Regulatory credit risk reserve GH¢	Income surplus account GH¢	Total Shareholders' Funds GH¢
CONSOLIDATED						
Balance at 1 January 2007 restated	7,172,388	110,977	863,760	-	(1,446,903)	6,700,222
Net profit for 2007	-	-	-	-	462,386	462,386
Transfer to Statutory reserve	-	153,455	-	-	(153,455)	-
Regulatory credit risk reserve adjustment	-	-	-	-	-	-
Net unrealised loss on AFS investments	-	-	(185,630)	-	-	(185,630)
Tax effect of net unrealised loss on AFS invests.	-	-	46,407	-	-	46,407
Bal. at 31 December 2007 restated	7,172,388	264,432	724,537	-	(1,137,972)	7,023,385
Balance at 1 January 2008	7,172,388	264,432	724,537	-	(1,137,972)	7,023,385
Net profit for 2008	-	-	-	-	2,418,416	2,418,416
Call up on shares issued	3,545,000	-	-	-	-	3,545,000
Preference shares converted into ord. shares	(2,100,000)	-	-	-	-	(2,100,000)
Transfer to Statutory reserve	-	729,150	-	-	(729,150)	-
Transfer from regulatory risk reserve credit	-	-	-	544,029	(544,029)	-
Net unrealised loss on AFS investments	-	-	(1,684,916)	-	-	(1,684,916)
Tax effect of net unrealised loss on AFS invests.	-	-	421,229	-	-	421,229
Bal. at 31 December 2008	8,617,388	993,582	(539,150)	544,029	7,265	9,623,114
BANK						
Balance at 1 January 2007 restated	7,172,388	110,977	863,760	-	(1,439,247)	6,707,878
Net profit for 2007	-	-	-	-	399,805	399,805
Transfer to Statutory reserve	-	153,455	-	-	(153,455)	-
Regulatory credit risk reserve adjustment	-	-	-	-	-	-
Net unrealised loss on AFS investments	-	-	(185,630)	-	-	(185,630)
Tax effect of net unrealised loss on AFS invests.	-	-	46,407	-	-	46,407
Bal. at 31 December 2007 restated	7,172,388	264,432	724,537	-	(1,192,897)	6,968,460
Balance at 1 January 2008	7,172,388	264,432	724,537	-	(1,192,897)	6,968,460
Net profit for 2008	-	-	-	-	2,325,953	2,325,953
Call up on shares issued	3,545,000	-	-	-	-	3,545,000
Preference shares converted into ord. shares	(2,100,000)	-	-	-	-	(2,100,000)
Transfer to Statutory reserve	-	729,150	-	-	(729,150)	-
Transfer from regulatory risk reserve credit	-	-	-	544,029	(544,029)	-
Net unrealised loss on AFS investments	-	-	(1,684,916)	-	-	(1,684,916)
Tax effect of net unrealised loss on AFS invests.	-	-	421,229	-	-	421,229
Bal. at 31 December 2008	8,617,388	993,582	(539,150)	544,029	(140,123)	9,475,726

The transfer to statutory reserve fund represent 50% of the Bank's net profit after tax. This is in compliance with section 29 (1)(a) of the Banking Act, 2004 (Act 673).

Cash Flow Statement

For the year ended 31 December, 2008

		CONSOLIDATED		THE BANK	
	Notes	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Operating activities					
Profit before tax		2,624,137	457,735	2,537,858	393,536
Adjustments for:					
Profit on sale of property and equipment	20	(55)	(11,425)	(55)	(11,425)
Depreciation and amortisation	20	1,041,185	734,497	1,034,236	733,889
Charge in provision	10	96,432	514,476	96,432	514,476
Interest suspense		-	21,629	-	21,629
Effective interest rate adjustment		328,838	-	328,838	-
Financial guarantee contracts		5,749	-	5,749	-
Adjustments to property and equipment	20	-	203,788	4,999	203,788
Operating cash flow before investment in working capital		4,101,286	1,920,700	4,008,057	1,855,893
Increase in loans and advances to customers	16	(52,556,852)	(31,623,264)	(52,556,852)	(31,623,264)
Decrease/(increase) in other assets	17	849,100	(1,075,860)	859,896	(1,066,086)
Increase in customer deposits	21	36,416,660	62,605,022	36,416,660	62,605,022
(Decrease)/increase in amounts due to Bank of Ghana		(1,000,000)	869,674	(1,000,000)	869,674
Increase in balances due to other banks		33,066,184	1,009,250	33,066,184	1,009,250
Increase in interest payable and other liabilities	22	2,282,450	2,427,701	2,283,150	2,426,101
Corporate tax payments	11	(300,060)	(102,371)	(281,449)	(99,879)
Increase in operating assets and liabilities		18,757,482	34,110,152	18,787,589	34,120,818
Net cashflows from operating activities		22,858,768	36,030,852	22,795,646	35,976,711
Investing activities					
Cost of property, plant and equipment	20	(2,117,673)	(1,094,367)	(2,092,809)	(1,091,685)
Proceeds from sale of property and equipment	20	297	55,880	297	55,880
(Increase)/decrease in investment in Government securities	13	(2,810,519)	117,679	(2,762,012)	230,067
Proceeds from distribution from financial investments	13	23,064	-	23,064	-
Net cashflows due in investing activities		(4,904,831)	(920,808)	(4,831,460)	(805,738)
Financing activities					
New capital contributions	24	3,545,000	-	3,545,000	-
Preference shares redeemed	24	(2,100,000)	-	(2,100,000)	-
Decrease in subordinated loan	23	-	(1,000,000)	-	(1,000,000)
Net cashflows from/(used) in financing activities		1,445,000	(1,000,000)	1,445,000	(1,000,000)
Increase in cash and cash equivalents		19,398,937	34,110,044	19,409,186	34,170,973
Analysis of changes in cash and cash equivalents					
Cash and cash equivalents at 1 January		47,298,507	13,188,463	47,252,822	13,081,849
Increase in cash and cash equivalents		19,398,937	34,110,044	19,409,186	34,170,973
Cash and cash equivalents at 31 December	25	66,697,444	47,298,507	66,662,008	47,252,822

1. Reporting Entity

Fidelity Bank Limited (FBL) is a banking institution registered and dominiclied in Ghana. The registered office is located at Ridge Tower, 10 Ambassadorial Enclave, West Ridge, Accra. FBL operates under the Banking Act , 2004 (Act 673). The financial statements of FBL for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 23rd March 2009.

2.1 Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings, and available-for-sale financial assets that have been measured at fair value. The financial statements are presented in Ghana Cedis except when otherwise indicated. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the FBL is provided in note 29 to the financial statements.

2.2 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 FBL's first set of financial statements prepared in accordance with IFRS and IFRS 1 has been applied. In accordance with the transitional requirements of these standards, the FBL has provided full comparative information. with International Financial Reporting Standards (IFRS).

2.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Fidelity Bank Limited and its subsidiary as at 31 December 2008.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

2.4 Significant Accounting Judgements, Estimates and Assumptions

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

(a) Fair Value of Financial Instruments

The fair value of a financial asset is determined by reference to the quoted bid price or asking price (as appropriate) in an active market. Where the fair value of financial assets and financial liabilities recorded on the balance sheet cannot be derived from an active market, it is determined using a variety of valuation techniques including the use of prices obtained in recent arms' length transactions, comparison to similar instruments for which market observable prices exist, net present value techniques and mathematical models. Input to these mathematical models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

(b) Impairment Losses on Loans and Advances

The bank reviews its problem loans to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

(c) Impairment of Equity Investments

The bank treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exits. The bank treats 'significant' generally as 20% or more and 'prolonged' as greater than 6 months. In addition, the bank evaluates other factors such as the share price volatility.

(d) Deferred Tax Assets
Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

2.5 Amendments to Published Standards and Interpretations Not Yet Adopted

The bank has chosen not to early adopt the following standards, amendments and interpretaions to existing standards that were issued, but not yet effective, for the acounting periods beginning on 1 January 2008. The application of these standards, amendments and interpretations will not have material impact on the bank's financial statements in the period of initial application.

IFRS 2 amendments - Share based payment: vesting conditions and cancellations (effective from 1 January 2009);

IFRS 3 revised - Business combinations (effective from 1 July 2009);

IFRS 8 - Operating segments (effective from 1 January 2009);

IAS 27 - Consolidated and separate financial statements (effective from 1 July 2009);

IAS 1 revised - Presentation of financial statements (effective from 1 July 2009)

IAS 23 revised Borrowing Costs (effective 1 January 2009);

IAS 32 amendment - Financial Instruments: Presentation and IAS 1:Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation (effective from 1 January 2009);

IFRIC 13 Customer Loyalty Programmes (effective 1 January 2009)

IAS 39 - amendment - Financial Instruments: Recognition and Measurement - eligible hedged items (effective from 1 July 2009)

IFRIC 15 - Agreements for the Construction of Real Estates (effective from 1 January 2009)

2.6 Summary of Significant Accounting Policies

(a) Foreign currency
Monetary assets and liabilities denominated in foreign currencies are translated in cedis at the exchange rate ruling at the bank's year end. Transactions denominated in foreign currencies are translated at the rates ruling at the dates of the transactions. All translation differences are dealt with in arriving at the operating result.

(b) Recognition of income and expenses

(i) Interest and similar income and expense
For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the bank revises its estimates of payment or receipts. The adjusted carrying amount is calculated on the original effective interest rate and the change in the carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

(ii) Fee and commission income

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

Other fees and commission income, including account servicing fees, investment management fees, sales commission, and placement and arrangement fees are recognised as the related services are performed.

(iii) Dividend income

Revenue is recognized when the bank's right to receive the payment is established.

(iv) Net trading income

This comprises gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

(c) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date i.e. the date that the bank commits to purchase or sell the asset.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit and loss, any directly attributable incremental costs of acquisition or issue.

(ii) Financial assets and liabilities held for trading

Financial assets or financial liabilities held for trading comprising financial instruments held for trading other than derivatives are recorded in the balance sheet at fair value. Changes in fair value are recognized in 'Net trading income' according to the terms of the contract or when the right to the payment has been established.

Included in this classification are debt securities, equities and short position in debt securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

(iii) Financial assets and liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognized gains or losses on them on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value are recorded in 'Net gains or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in 'Other operating income' when the right to the payment has been established.

(iv) Held to maturity financial investments

Held to maturity financial investments are those which carry fixed determinable payments and have fixed maturities and which the bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowances for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate.

The amortization is included in 'interest income' in the income statement. The losses arising from impairment of such investments are recognized in the income statement line 'Impairment losses on financial investments'.

(v) Due from banks and loans and advances to customers
'Due from banks' and 'Loans and advances to customers' are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investments – available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, amounts due from banks and loans and advances to customers are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. The amortised cost is calculated by taking into account any discount on acquisition and fees and costs that are integral part of the effective interest rate. The amortization is included in 'Interest income' in the income statement. The losses arising from impairment are recognized in the income statement in 'Charge for bad and doubtful debt'.

(vi) Available for sale financial investments
Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and advances. It includes equity investments, investments in mutual funds and money market and other debt instruments.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity in the 'Available-for-sale reserve'. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the income statement in 'Other operating income' or 'Other operating expenses'. Where the bank holds more than one investment in the same security it is deemed to be disposed off on a first-in first-out basis. Interest earned, whilst holding available-for-sale financial investments, is recognized in the income statement as 'Interest income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the income statement in 'Impairment losses on financial investments' and removed from the available-for-sale reserve.

(vii) Borrowed funds
After initial measurement, borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

(d) Derecognition of financial assets and financial liabilities

(i) Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

• the rights to receive cash flows from the asset have expired; or
• the bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
• either (a) the bank has transferred substantially all the risks and rewards of the asset, or (b) the bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the bank has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the bank could be required to repay.

(ii) Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit of loss.

(e) Repurchase and reverse repurchase agreements
Securities may be lent or subject to a commitment to repurchase it at a specified

date ('a repo'). Such securities are not derecognized but retained on the balance sheet when substantially all the risks and rewards of ownership remain with the Bank. Any cash received, including accrued interest, is recognized on the balance sheet reflecting its economic substance as a loan to the Bank.

Conversely, securities borrowed or purchased securities subject to a commitment to resell it as a specified date (a 'reverse repo') is not recognized on the balance sheet as the transactions are treated as collateralised loans. However where the securities borrowed is sold to third parties, the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in net trading income.

(f) Impairment of financial assets

The Bank assesses at each balance sheet whether objective evidence of impairment exists for any financial asset. A financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (loss event), and the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the borrower is experiencing significant difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Due from banks and loans and advances to customers

For amounts due from banks and loans and advances to customers carried at amortised cost, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (identified impairment). If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment (unidentified impairment). Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Where there is objective evidence of impairment, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If a loan has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflect the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews such renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective assessment, calculated using the loan's original effective interest rate.

(ii) Held-to-maturity financial investments

For held-to-maturity investments the Bank assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If in a subsequent year the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the 'Impairment losses on financial investments'.

(iii) Available for sale financial instruments
For available-for-sale financial investments, the Bank assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the income statement. Reversals of impairment of equity shares are not recognised in the income statement, increases in the fair value of equity shares after impairment are recognised directly in equity.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as all other financial assets. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of Interest Income. Reversals of impairment of debt securities are recognised in the income statement if in a subsequent year, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

(g) Collateral and netting
The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of cash or securities in respect of other credit instruments or a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet with a corresponding liability. These items are assigned to deposits received from bank or other counterparties. Any interest payable or receivable arising is recorded as interest payable or interest income respectively except for funding costs relating to trading activities which are recorded in net trading income.

Netting, where financial assets and liabilities are offset and the net amount reported in the balance sheet, occurs 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 to realise an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the balance sheet.

(h) Leasing
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i). The Bank as a lessor

Finance leases
Assets leased to customers under agreements, which transfer substantially all the risks, and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods under the pre-tax net investment method to reflect a constant periodic rate of return.

Operating leases
Assets leased to customers under agreements, which do not transfer substantially all the risks and rewards of ownership, are classified as operating leases. The leased assets are included within property, plant and equipment on the Group's balance sheet and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Lease income is recognised on a straight line basis over the period of the lease unless another systematic basis is more appropriate.

(ii). The Bank as a Lessee

Finance leases which transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with corresponding liability to the lessor included in 'Other liability'. Lease payments are apportioned between the finance charges and reduction on the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income in 'Interest expense'.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Bank will obtain ownership by the end of the lease term.

Operating lease payments are not recognised in the balance sheet. Rentals payable are recognised as an expense in the income statement on a straight-line basis over the lease term unless another systematic basis is more appropriate, and included in 'Other operating expenses'.

(i) Cash and cash equivalents

Cash and cash equivalents are recorded in the balance sheet at cost. For the purpose of the cash flow statement cash and cash equivalents comprise balances with 91 days or less from the date of acquisition including cash and balances with Bank of Ghana, treasury bills and other eligible bills, amounts due from other banks and dealing securities.

(j) Investment in associate

The Bank's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Bank has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Bank's share of net assets of the associate. Losses in excesses of the cost of the investment in an associate are recognised when the Bank has incurred obligations on its behalf. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The income statement reflects the Bank's share of the results of the operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Bank recognises it's share of such change and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Bank and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Bank are identical and the associate's accounting policies conform to those used by the Bank for like transactions and event in similar circumstances.

(k) Property and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

• Leasehold buildings and improvements		over the unexpired lease period
• Motor vehicles		25%
• Computers	: hardware	25%
	: software	25% - 50%
• Furniture and equipment		25%
• Machinery		25%

(l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(m) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees consisting of letters of credit, guarantees and acceptances. Such financial guarantees are given to banks, other financial institutions and bodies on behalf of customers to secure loans, overdrafts and other banking facilities, and to other parties in connection with the performance of customers under obligations related to contracts, advance payments made by other parties, tenders, retentions and payment of import duties.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given, in 'Other liabilities', being the fee income received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the unamortised fee income and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increases in the liability relating to financial guarantees are taken to the income statement in 'Charge for bad and doubtful debt'. The fee income received is recognized in the income statement in 'Fees and commission income' on a straight line basis over the life of the guarantee.

(n) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(o) Taxes

Current Tax

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

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered or paid to the Internal Revenue Service. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred Tax

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except;

• where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and

• in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except;

• where deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and

• in respect of taxable temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or par of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the income statement.
Deferred and current tax assets and liabilities are only off set when they arise in the same tax reporting entity and the same taxation authority, and where there is both the legal right to set off current tax assets against current tax liabilities and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(p) Post balance sheet
Events subsequent to 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) Employee benefits

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

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

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

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

3. Segment information

The primary segment reporting format is aligned to business units based on the Bank's management and internal reporting structure. The segment information presented is in respect of the Bank's business.

The bank's business units are as outlined below;

- Wholesale banking - Principally responsible for providing loans and other credit facilities, as well as deposits and other transactions and balances to corporate and institutional customers.
- Treasury - Undertakes the bank's funding and centralised risk management activities through borrowings, and investing in liquid assets such as short-term placements and government debt securities.
- Retail banking - Provides loans and overdrafts, as well as handles the deposits and other transactions of individual customers such as funds transfers, standing orders and ATM card services.

For the purpose of segmental reporting, interest is allocated to the business units based on a pool rate determined by Treasury using the bank's cost of funds.

Analysed below is the net income, profit and certain assets and liabilities of the business segments of the bank for the year ended 31 December 2008

	Wholesale GH¢	Treasury GH¢	Retail GH¢	Total GH¢
Net interest income	3,568,566	506,725	2,930,747	7,006,038
Net fee and commission income	3,045,729	3,094,257	1,602,617	7,742,603
Total income	6,614,295	3,600,982	4,533,364	14,748,641
Operating expenses	(4,759,217)	(1,391,211)	(6,060,355)	(12,210,783)
Operating profit	1,855,078	2,209,771	(1,526,991)	2,537,858
Income tax expense				(211,905)
Profit for the year				2,325,953

Analysed below is the net income, profit and certain assets and liabilities of the business segments of the bank for the year ended 31 December 2007

	Wholesale GH¢	Treasury GH¢	Retail GH¢	Total GH¢
Net interest income	1,504,807	1,342,326	1,231,644	4,078,777
Net fee and commission income	1,827,801	1,260,325	593,492	3,681,618
Total income	3,332,608	2,602,651	1,825,136	7,760,395
Operating expenses	(3,135,821)	(1,328,919)	(2,902,119)	(7,366,859)
Operating profit	196,787	1,273,732	(1,076,983)	393,536
Income tax expense				6,269
Profit for the year				399,805

	CONSOLIDATED		THE BANK	
4. Interest income	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Cash and short term funds	1,858,224	2,430,103	1,858,224	2,430,103
Investments securities	8,754,822	9,471,645	8,726,014	9,452,509
Loans and advances	11,397,990	2,397,753	11,397,990	2,397,753
	22,011,036	14,299,501	21,982,228	14,280,365

5. Interest expense	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Savings accounts	181,321	44,054	181,321	44,054
Time and other deposits	9,755,111	7,609,394	9,755,111	7,609,394
Overnight and call accounts	4,413,425	2,164,063	4,413,425	2,164,063
Interest on shareholders loan	270,450	253,317	270,450	253,317
Interest on current account	355,873	130,760	355,873	130,760
	14,976,180	10,201,588	14,976,180	10,201,588

6. Fees and commissions	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Arrangement, facility & brokerage fees	2,620,305	2,108,813	2,620,305	2,108,813
Commissions	1,958,479	550,245	1,854,449	501,331
	4,578,784	2,659,058	4,474,754	2,610,144

7. Other operating income	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Gains on foreign exchange transactions	3,142,658	649,779	3,142,658	649,779
Exchange gain on translations	110,255	40,907	110,255	40,907
Sundry income	36,504	380,342	14,881	369,364
Gain on disposal	55	11,424	55	11,424
	3,289,472	1,082,452	3,267,849	1,071,474

	CONSOLIDATED		THE BANK	
8. Operating expenses	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Staff cost (note 9)	5,840,764	3,256,258	5,835,420	3,255,132
Depreciation (note 20)	1,041,185	734,497	1,034,236	733,889
Advertising and marketing	965,833	491,139	949,646	487,339
Audit fees	26,682	20,800	24,582	19,000
Directors' remuneration	-	24,992	-	24,992
Other operating expenses	3,664,756	2,008,657	3,660,179	2,005,649
Legal and consultancy fees	309,164	138,333	278,167	134,485
Training	310,766	182,301	308,738	181,662
Donations and sponsorship	7,250	10,235	7,250	10,235
Bad debt	16,143	-	16,143	-
	12,182,543	6,867,212	12,114,361	6,852,383

9. Staff costs	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Wages, salaries, bonus and allowances	3,737,571	2,033,988	3,732,227	2,032,862
Social Security Fund Contribution	340,615	188,824	340,615	188,824
Provident fund contribution	254,848	147,757	254,848	147,757
Other employee cost	1,507,730	885,689	1,507,730	885,689
	5,840,764	3,256,258	5,835,420	3,255,132

The average number of persons employed by the bank during the year was 157.

10. Charge for bad and doubtful debts	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Identified impairment	153,684	176,722	153,684	176,722
Unidentified impairment	(57,252)	337,754	(57,252)	337,754
	96,432	514,476	96,432	514,476

11. Taxation

The components for income tax for 2008 and 2007 are as follows;

	CONSOLIDATED		THE BANK	
	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Current tax				
Current income tax	472,330	16,187	450,695	-
Deferred tax				
Origination and reversal of temporary differences	(238,790)	(6,269)	(238,790)	(6,269)
Total income tax expense	233,540	9,918	211,905	(6,269)

Consolidated Year of assessment	At 1 Jan GH¢	Paid during the year GH¢	Charge for the year GH¢	At 31 Dec GH¢
1999 - 2005	27,913	-	-	27,913
2006	(71,672)	(4,659)	-	(76,331)
2007	(86,245)	(13,952)	-	(100,197)
2008	-	(281,449)	472,330	190,881
	(130,004)	(300,060)	472,330	42,266
	-			
National reconstruction levy				
2001	(859)	-	-	(859)
2002	1,751	-	-	1,751
2003	(10,129)	-	-	(10,129)
2005	(670)	-	-	(670)
	(9,907)	-	-	(9,907)
Total	(139,911)	(300,060)	472,330	32,359

Bank Year of assessment	At 1 Jan GH¢	Paid during the year GH¢	Charge for the year GH¢	At 31 Dec GH¢
1999 - 2005	28,035	-	-	28,035
2006	(71,437)	-	-	(71,437)
2007	(99,879)	-	-	(99,879)
2008	-	(281,449)	450,695	169,246
	(143,281)	(281,449)	450,695	25,965
National reconstruction levy				
2001	(859)	-	-	(859)
2002	1,751	-	-	1,751
2003	(10,129)	-	-	(10,129)
2005	(670)	-	-	(670)
	(9,907)	-	-	(9,907)
Total	(153,188)	(281,449)	450,695	16,058

Deferred tax

Deferred tax assets and liabilities are attributable to the following:

	CONSOLIDATED					
	2008			2007		
	Assets GH¢	Liabilities GH¢	Net GH¢	Assets GH¢	Liabilities GH¢	Net GH¢
Property, Plant & equipment	-	46,636	46,636	-	261,318	261,318
Impairment allowances for loan losses	(165,902)	-	(165,902)	(141,794)	-	(141,794)
Gains / losses on AFS investments	(179,716)	-	(179,716)	-	241,513	241,513
Net tax (assets)/liabilities	(345,618)	46,636	(298,982)	(141,794)	502,831	361,037

	THE BANK					
	2008			2007		
	Assets GH¢	Liabilities GH¢	Net GH¢	Assets GH¢	Liabilities GH¢	Net GH¢
Property and equipment	-	46,636	46,636	-	261,318	261,318
Impairment allowances for loan losses	(165,902)	-	(165,902)	(141,794)	-	(141,794)
Gains/losses on AFS investments	(179,716)	-	(179,716)	-	241,513	241,513
Net tax (assets)/liabilities	(345,618)	46,636	(298,982)	(141,794)	502,831	361,037

	CONSOLIDATED		THE BANK	
	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Accounting profit	2,663,537	477,080	2,537,858	393,536
Non taxable item	983,481	1,107,207	983,481	1,107,207
	3,647,018	1,584,287	3,521,339	1,500,743
Capital allowance	1,757,700	1,516,538	1,718,560	1,500,743
Chargeable income	1,889,318	64,749	1,802,779	-
Tax thereon - 25%	472,330	16,187	450,695	-

12. Cash and balances with Bank of Ghana

	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Cash in till	3,019,082	1,090,235	3,019,082	1,090,235
Balance with Bank of Ghana	15,807,660	6,353,210	15,807,660	6,353,210
	18,826,742	7,443,445	18,826,742	7,443,445

		CONSOLIDATED		THE BANK	
13.	Financial investment	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
	Short-term government securities				
	Treasury Bills	54,772,967	134,803	54,589,657	-
	Discounted bills	1,172,323	3,617,054	1,172,323	3,617,054
		55,945,290	3,751,857	55,761,980	3,617,054
	Medium-term government securities				
	Government bond: 1 - 3 years	3,452,347	54,520,177	3,452,347	54,520,177
	Non quoted equity investment	104,206	127,270	104,206	127,270
	Total	59,501,843	58,399,304	59,318,533	58,264,501

Financial investments are financial assets classified as Available-for-sale, and are carried at fair value.

Non quoted equity investment relates to 2.06% preference shares in Fidelity Equity Fund I, a venture capital fund incorporated in Ghana. It is recorded at cost less distributions received from liquidation of investments by the fund. This is because the fair value cannot be reliably estimated since there is no market for this investment.

		2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
14.	Due from other banks and financial institutions				
	Nostro account balances	18,040,150	4,274,219	18,040,150	4,274,219
	Items in course of collection	4,107,206	10,791,763	4,107,206	10,791,763
	Placement with other banks	25,723,346	24,789,080	25,687,910	24,743,395
		47,870,702	39,855,062	47,835,266	39,809,377

			2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
15.	Loans and advances to customers					
	(a)	Analysis by type:				
		Term loans	75,473,169	29,517,008	75,473,169	29,517,008
		Overdrafts	10,043,637	3,749,260	10,043,637	3,749,260
		Staff	1,571,763	1,594,287	1,571,763	1,594,287
		Gross loans and advances	87,088,569	34,860,555	87,088,569	34,860,555
		Provision for bad and doubtful debts (note 16)	(663,608)	(567,176)	(663,608)	(567,176)
		Net loans and advances	86,424,961	34,293,379	86,424,961	34,293,379

		CONSOLIDATED		THE BANK	
		2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
(b)	Analysis by type of customer:				
	Individuals	40,054,558	12,023,274	40,054,558	12,023,274
	Private enterprises	39,711,726	19,742,994	39,711,726	19,742,994
	State enterprise and public institutions	5,750,522	1,500,000	5,750,522	1,500,000
	Staff	1,571,763	1,594,287	1,571,763	1,594,287
		87,088,569	34,860,555	87,088,569	34,860,555
	Provision for bad and doubtful debts (note 16)	(663,608)	(567,176)	(663,608)	(567,176)
	Net loans and advances	86,424,961	34,293,379	86,424,961	34,293,379

		2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
(c)	Analysis by business segment:				
	Agriculture, forestry and fishing	294	3,006	294	3,006
	Manufacturing	1,572,141	130,620	1,572,141	130,620
	Construction	2,032,394	4,721,647	2,032,394	4,721,647
	Electricity, gas and water	1,631,731	2,150,088	1,631,731	2,150,088
	Commerce and finance	24,242,812	9,268,841	24,242,812	9,268,841
	Transport, storage and communication	1,878,915	212,703	1,878,915	212,703
	Services	52,171,581	16,815,842	52,171,581	16,815,842
	Miscellaneous	3,558,702	1,557,808	3,558,702	1,557,808
		86,088,569	34,860,555	86,088,569	34,860,555
	Provision for bad and doubtful debts (note 16)	(663,608)	(567,176)	(663,608)	(567,176)
	Net loans and advances	86,424,961	34,293,379	86,424,961	34,293,379

		2008	2007	2008	2007
(d)	Key ratios on loans and advances				
	(i) Loan loss provision ratio	0.76%	1.63%	0.76%	1.63%
	(ii) 50 largest exposures to total exposures	21%	54%	21%	54%

	CONSOLIDATED		THE BANK	
16. Movement in provision for bad and doubtful debts and interest in suspense	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
At 1 January	567,176	52,700	567,176	52,700
Charge for the year	96,432	514,476	96,432	514,476
At 31 December	663,608	567,176	663,608	567,176

	CONSOLIDATED		THE BANK	
17. Other assets	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Prepayments	1,631,188	487,583	1,631,188	487,583
Interest earned not collected	610,708	2,686,651	610,708	2,686,651
Sundry assets	269,834	186,596	240,221	167,779
	2,511,730	3,360,830	2,482,117	3,342,013

	CONSOLIDATED		THE BANK	
18. Amounts due from associated companies	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Fidelity Capital Partners Limited	73,107	73,107	73,107	73,107
Fidelity Asset Management Limited	12,985	12,985	12,985	12,985
	86,092	86,092	86,092	86,092

19. Investment in associated companies	2008 GH¢	2007 GH¢
The Bank has investments in the following entities:		
Shares in Fidelity Asset Management Limited	101,000	101,000
Shares in Fidelity Capital Partners Limited	60,000	60,000
	161,000	161,000

Name	Nature of business	Country of incorporation	Type of shares	Percentage Interest
Fidelity Asset Management Limited	Fund management	Ghana	Ordinary shares	100%
Fidelity Capital Partners Limited	Investment advisory services and private equity funds management	Ghana	Ordinary shares	31%

The summarised financial information in respect of Fidelity Capital Partners Limited is as follows;

	2008 GH¢	2007 GH¢
Share of associate's balance sheet		
Assets	142,706	108,103
Liabilities	(63,471)	(56,686)
Net assets	79,235	51,417
Carrying amount of investment	93,778	65,959
Share of associate's revenue and profit		
Revenue	276,968	207,978
Profit for the year	39,400	19,345

20. Property and equipment

	CONSOLIDATED				
	At 1 Jan GH¢	Additions GH¢	Disposals GH¢	Movements/ adjustments GH¢	At 31 Dec GH¢
Cost					
Motor vehicles	340,255	26,930	(21,570)	107,254	452,869
Computers - Hardware	912,672	159,639	-	396,696	1,469,007
Equipment	331,362	25,822	-	504,858	862,042
Furniture and fittings	450,696	53,769	(3,671)	181,889	682,683
Leasehold improvement	577,182	66,353	-	403,390	1,046,925
Capital work-in-progress	612,614	1,457,473	-	(1,594,086)	476,000
	3,224,781	1,794,985	(25,241)	-	4,989,526

	At 1 Jan GH¢	Charge for the year GH¢	Disposals GH¢	Movements/ adjustments GH¢	At 31 Dec GH¢
Depreciation					
Motor vehicles	181,541	85,392	(21,328)	-	245,605
Computers - Hardware	429,849	258,444	-	-	688,293
Equipment	113,675	168,229	-	-	281,904
Furniture and fittings	156,623	143,936	(3,671)	-	296,888
Leasehold improvement	76,145	88,272	-	-	164,417
	957,833	744,273	(24,999)	-	1,677,107
Carrying value:					
At 31 December, 2008					3,312,419
At 31 December, 2007					2,266,948

	THE BANK				
	At 1 Jan GH¢	Additions GH¢	Disposals GH¢	Movements/ adjustments GH¢	At 31 Dec GH¢
Cost					
Motor vehicles	340,255	2,635	(21,570)	107,254	452,869
Computers - Hardware	909,990	159,639	-	396,696	1,469,007
Equipment	331,362	25,822	-	504,858	862,042
Furniture and fittings	450,696	53,201	(3,671)	181,889	682,683
Leasehold improvement	577,182	66,353	-	403,390	1,046,925
Capital work-in-progress	612,614	1,457,472	-	(1,594,086)	476,000
	3,222,099	1,770,122	(25,241)	-	4,989,526

	At 1 Jan GH¢	Charge for the year GH¢	Disposals GH¢	Movements/ adjustments GH¢	At 31 Dec GH¢
Depreciation					
Motor vehicles	181,541	79,318	(21,328)	-	239,531
Computers - Hardware	429,241	257,711	-	-	686,952
Equipment	113,675	168,299	-	-	281,904
Furniture and fittings	156,623	143,794	(3,671)	-	296,746
Leasehold improvement	76,145	88,272	-	-	164,417
	957,225	737,324	(24,999)	-	1,669,550
Carrying value:					
At 31 December, 2008					3,292,431
At 31 December, 2007					2,264,874

	Cost GH¢	Acc. Dnepr GH¢	NBV GH¢	Proceeds GH¢	Gain GH¢
Gain on disposal:					
Motor vehicles	21,570	(21,328)	242	208	(34)
Furniture and fittings	3,671	(3,671)	-	89	89
	25,241	(24,999)	242	297	55

	At 1 Jan GH¢	Additions GH¢	Movements/ adjustments GH¢	At 31 Dec GH¢
	INTANGIBLE ASETS			
Cost				
Computers - Hardware	779,318	322,687	24,480	1,126,485
Capital work-in-progress	24,480	-	(24,480)	-
	803,798	322,687	-	1,126,485

Depreciation	At 1 Jan GH¢	Charge for the year GH¢	Movements/ adjustments GH¢	At 31 Dec GH¢
	290,641	296,912	-	587,553
	290,641	296,912	-	587,553
Carying value:				
At 31 December, 2008				538,932
At 31 December, 2007				513,157

	At 1 Jan GH¢	Additions GH¢	Movements/ adjustments GH¢	At 31 Dec GH¢
	THE BANK			
Cost				
Computers - Software	779,318	322,687	24,480	1,126,485
Capital work-in-progress	24,480	-	(24,480)	-
	803,798	322,687	-	1,126,485

Depreciation	At 1 Jan GH¢	Charge for the year GH¢	Movements/ adjustments GH¢	At 31 Dec GH¢
	290,641	296,912	-	587,553
	290,641	296,912	-	587,553
Carrying value:				
At 31 December, 2008				538,932
At 31 December, 2007				513,157

21. Customer deposits

	CONSOLIDATED		THE BANK	
	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Current accounts	33,492,839	48,245,133	33,492,839	48,245,133
Call accounts	17,816,799	7,154,901	17,816,799	7,154,901
Savings accounts	3,880,949	1,636,538	3,880,949	1,636,538
Time deposits	54,652,440	15,814,306	54,652,440	15,814,306
	47,942,339	48,517,828	47,942,339	48,517,828
	157,785,366	121,368,706	157,785,366	121,368,706
(a) Analysis by type of depositor:				
Individuals & other private enterprises	108,516,557	88,048,097	108,516,557	88,048,097
Government department & agencies	49,268,809	33,320,609	49,268,809	33,320,609
	157,785,366	121,368,706	157,785,366	121,368,706
(b) 20 Largest depositors to total deposit ratio	37%	47%	37%	47%

22. Interest payable and other liabilities

	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Accrued interest payable	4,345,472	2,792,141	4,345,472	2,792,141
Financial guarantees	5,749	-	5,749	-
Other creditors and accruals	2,563,951	1,834,832	2,561,251	1,831,432
	6,915,172	4,626,973	6,912,472	4,623,573

23. Subordinated shareholders loans

	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Social Security and National Insurance Trust (SSNIT)	2,000,000	2,000,000	2,000,000	2,000,000
	2,000,000	2,000,000	2,000,000	2,000,000

The subordinated shareholder loan of GH¢ 2m from SNNIT is for a term of 6 years with repayment due on 20 January 2012. The interest rate is variable, linked to the yield on 91 day Government of Ghana treasury bill and is reprised twice yearly and is payable half-yearly. As at the end of 2008 the interest rate on the loan was 16.32% (2007: 9.63%).

This financial liability is classified as borrowings and is carried at amortised cost.

24. Issued capital and reserves

	2008	2007
i) The number of shares authorized, issued and in treasury are as follows:-		
Ordinary:		
Authorized	100,000,000	100,000,000
Issued	10,000,000	10,000,000
In treasury	Nil	Nil
Preference:		
Authorized	10,000,000	10,000,000
Issued	-	2,100,000
In treasury	Nil	Nil

ii) Proceeds from the issued shares are as follows:-	2008 GH¢	2007 GH¢
Ordinary shares:		
Issued for cash	7,820,796	4,275,796
Issued for consideration other than cash	22,723	22,723
Transfer from Income Surplus Account	773,869	773,869
	8,617,388	5,072,388
Preference shares:		
Issued for cash	-	2,100,000
Total	8,617,388	7,172,388

iii) Ordinary shares
In 2008 the second and final call on shares issued was made, increasing the stated capital from ordinary shares by GH¢ 3,545,000.

iv) Preference shares
In the course of 2008, the preference shares issued of GH¢ 2,100,000 was redeemed.

25. Cash and cash equivalents

	CONSOLIDATED		THE BANK	
	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
Cash and balances with Bank of Ghana (note 12)	18,826,742	7,443,445	18,826,742	7,443,445
Due from banks and other financial institutions (Note 14)	47,870,702	39,855,062	47,835,266	39,809,377
	66,697,444	47,298,507	66,662,008	47,252,822

26. Related party transactions

This relates to loan balances due from the following related parties:

	2008	2007	2008	2007
Executive directors	300,791	147,894	300,791	147,894
Officers and other employees	1,270,972	1,446,393	1,270,972	1,446,393
Non executive directors	254,814	87,300	254,814	87,300
	1,826,577	1,681,587	1,826,577	1,681,587

27. Contingencies and commitments

(a) Guarantees and indemnities
The bank had outstanding guarantees and indemnities of GH¢ 1,679,572 as at the end of the year. (2007: Nil)

(b) Contingent liability
There were no other contingent liabilities at the end of the year (2007: Nil)

(c) Commitments
There were no commitments outstanding at the end of the year (2007: Nil)

28. Financial risk management

(a) Introduction and overview
There are risks in every transaction the Bank undertakes and in every service it provides. It is therefore a fundamental responsibility of management to ensure that all the risks associated with each class of business, each product and each type of transaction are identified as well as manage the risks associated with the conduct of the bank's affairs. Most transactions of the Bank are subject to one or more of the following risks,

- credit risk;
- liquidity risk;
- interest rate risk;
- currency risk;
- market risk;
- operational risk;

These inherent risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and controls. This process is critical to the Bank's continued profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibility.

Outlined in this note is information about the bank's exposure to each of the above risks, the bank's objectives, policies and processes for measuring and managing these risks, and the bank's management of capital.

(b) Risk management structure
The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. Under this framework, the Board has established a number of separate independent bodies responsible for managing and monitoring risks. These include, Board sub-committees, Credit Committee of management (CC), Risk Management Department, Asset and Liability (ALCO), and Compliance Unit (CU) which are responsible for developing and monitoring bank risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

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.

(c) Risk measurement and reporting systems
The Bank's risks are measured using methods which reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the actual loss. These models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.
Monitoring and controlling risks is primarily based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the bank is willing to accept. In addition the bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information and data on risk measures across the business are generated periodically and processed in order to analyse, control and identify early risks. This information is made available to the Board, as well to the key management risk control functions of the bank. The reports include aggregate credit exposure analysed into industry and customer as well as liquidity ratios.

(d) Credit risk management

Credit risk is the risk that the bank will incur a loss because its customers, clients or counterparties will not be able or willing to pay interest, repay capital or otherwise to fulfil their contractual obligations under loan agreements or other credit facilities. Credit risk is the bank's largest risk and considerable resources, expertise and controls are devoted to managing it. The bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring such limits. The Board sub-committee reviews the quality of the Credit Book, past due credits and all new credits approved by the CC. In all cases, the Board reviews at its meetings all extensions of credit that are in place.

Types of credit risk assets

Credit facilities extended to customers may be short term (up to one year) medium term (one to three years) or long term (over three years) in tenor. Additionally, facilities may be of a direct or indirect nature. They may be contractual (where the borrower has the contractual right to draw) or advised (where the Bank can cancel the credit at its discretion).

Direct facilities are those where the Bank actually disburses funds to a borrower, in the form of a loan or other advance, or creates an arrangement whereby the customer may himself draw funds on credit at his volition up to an agreed limit. Such direct facilities include:

- Overdrafts i.e. Advances on Current Accounts mainly to finance current assets
- Demand Loans
- Term Loans
- Bill Discounting
- Advances under Letters of Credit
- Acceptances, Guarantees and Indemnities etc.

Indirect (or contingent) obligations are created when the Bank enters into a contractual obligation to pay a third party at a future date, or upon the occurrence of a certain event, against the indemnity of a customer (who is the direct obligor). Such indirect facilities include:

- Opening and/or confirmation of letters of credit
- Issuance of guarantees and indemnities (e.g. to customs, immigration)
- Issuance of bid/performance/advance payment bonds
- Issuance of standby letters of credits.

This can also consist of operational risk such as non delivery, facilities for FX and other dealing lines.

Target market and risk asset selection

The target market and risk asset selection is a continuous process which involves a screening of the entire market, identifying business potential, defining desirable opportunities and adhering to resultant marketing objectives and strategies. An unfocused approach to the market can lead to unplanned asset concentrations of uneven quality on the books, and it may not be possible for the Bank to easily work out from undesirable relationships even when such a decision has been made. The Bank undertakes a screening of the market and economic sectors to identify key players and potential business for the Bank. This is followed by a short listing of the desirable industries. This list should be supported by a justification as to why only some industries were selected, and why the Bank will not deal with some others.

Industry studies are also carried out on each of the selected industries. This exercise enables the Bank to understand the importance of each sector to the economy, Gross Domestic Product percentage share, and key players in the industry, business cycles and product mix. The information derived above guides the Bank in identifying critical success factors and quantitative/qualitative acceptance parameters by industry.

Workable and appropriate Risk Asset Acceptance Criteria (RAAC) have been developed for each industry, taking into account both quantitative as well as qualitative parameters identified above. Example of these include, net sales, net income, years in business, market reputation, management quality, minimum lending, ... among others.

Differing financing needs for the different industries often make it necessary to identify the credit products mostly required by each industry. Such products should be supported by a product RAAC which evidences that tenor, documentation requirements and approval process are consistent with the associated transaction risks and that transaction flows are understood and documented.

Credit Application (CA) Process

Prior to extension of any credit facility, whether direct or contingent, it must be recommended and approved by means of a CA. Such CA will incorporate analysis and evaluation of all risk inherent in the transaction. These reviews are both quantitative, ie balance sheet spreading, cash flow analysis as well as subjective, nature of the business, quality of management, suitability of loan to business.

Credit approval authority is delegated to Management by the Board of Directors of Fidelity Bank. Any extension of credit exceeding authority delegated is subject to approval by the Board Sub-committee of the Board, following recommendation to the Board by Management.

Authority for approval of credit within limits is delegated by the Board of Directors. There is a Credit Sub Committee of the Board that may exercise the authority of the Board pending full sittings of the Board. The Credit Sub-Committee comprises a minimum of two Ghanaian resident non-executive directors of the Board.

The Board may delegate authority down the line to an in-house Credit Committee (CC) who may in turn delegate authority (but not the ultimate responsibility) to the Director of Credit Risk Management and/or to other Credit Officers as may be required under the policy approved by the Board. All decisions of the Credit Sub-Committee must be unanimous.

All Credit granted by the Bank are subject to the laws and regulations contained in the Banking Act 2004. No single party facility shall exceed 25% of the net worth of the bank on secured basis or 10% of net worth on unsecured basis. No unsecured facilities to directors are permitted without the approval of the Bank of Ghana.

At 31 December 2008, the bank's credit exposure were categorised as follows:

- Exposures that are neither past due nor impaired
- Exposures that are past due but not impaired and
- Individually impaired facilities

	2008		2007	
	Loans & advances to customers GH¢	Due from banks & financial inst. GH¢	Loans & advances to customers GH¢	Due from banks & financial inst. GH¢
Neither past due nor impaired	86,403,923	25,723,346	34,522,853	24,789,080
Past due but not impaired	312,315	-	109,112	
Individually impaired	372,331	-	228,590	
Gross	87,088,569	25,723,346	34,860,555	24,789,080
Less Allowance for impairment	663,608	-	567,176	-
Net amount	86,424,961	25,723,346	34,293,379	24,789,080

Loans and advances to customers in Ghana analysed by industry sector, as well as by customer type is shown in note 15(b) & 15(c) above.

Liquidity risk management

Liquidity risk is defined as the likely event of a negative impact on the value or volume of liquid assets as a result of changes in any of the following variables that impact on liquidity: interest and exchange rates, inflation, customer actions, changing economic conditions and the action(s) of competitors.

To limit this risk, management adopts a number of measures including monitoring the day-to-day funding requirements to ensure that future cash flows can be met. This requires that the bank maintains an active presence in the local money markets to enable that to happen. The Bank also maintains a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow. Finally, the Bank is statutorily required to maintain a reserve of 9% of foreign currency customer deposits held as well as 9% of local currency customer deposits in separate accounts with the Bank of Ghana. These balances are used to support all inter-bank transactions.

Liquidity risk measurement

The bank prepares and uses liability mismatch reports to manage funding needs. The weekly liquidity mismatch report is used to measure the ability of the Bank to meet maturing liability obligations. This is supplemented by weekly cash flow reports produced to show the projected cash flow on a daily basis incorporating projected customer withdrawals, including credit disbursements, as well as deposits.

The deposit concentration ratio is monitored monthly to ensure that decisions of individual and or groups of depositors do not severely impact on liquidity. Particular attention is given to wholesale borrowing; defined to include all liabilities taken from customers that are in excess of GHC 1 billion per client. Due to their size, withdrawals of such funds tend to impact negatively on liquidity. As a rule, wholesale borrowing transactions are entered into as repurchase contracts where each transaction is collateralized with a Treasury Bill or Bond. Alternatively, such transactions are contracted to support specific credits in a back-to-back transaction. To manage the impact deposit concentration on liquidity, wholesale borrowings from individual clients does not exceed 25% of total customer liabilities. Also, the recommended ratio of the top 20 deposits to total liabilities is 15% or less. The implication of these ratios is the need to diversify the mix of deposits such that the action of one group is unable to significantly affect the bank's deposit base especially in a negative manner. The monthly deposit concentration report is examined as part of the Assets and Liabilities Committee (ALCO) process and the necessary preventive/remedial action taken.

The loan/ deposit ratio measures the amount of advances as a percentage of deposits and is used to monitor the availability of funds for additional credits out of deposits. All approved loans that are yet to be disbursed are captured as part of the loan deposit ratio, to ensure that the true position of available funds is reported at any one time. Two loan/deposit ratios are reported using only facilities that have been disbursed for one report and another ratio using both disbursed and un-disbursed facilities.

In addition to the above, the bank also ensures compliance to the regulatory requirements set by the Bank of Ghana such as effective volatile liability dependency ratio which is the measured as (volatile funds – liquid assets) / long term investments. This measures the reliance on volatile funds to finance long term investments as well as other non-liquid assets. The bank targets a negative ratio to be in compliance with the Bank of Ghana. (Volatile funds is short term wholesale funds e. g call accounts).

The table below summarises the maturity analysis of liabilities showing the contractual undiscounted cash flows.

Maturities of assets and liabilities

	0-3 months GH¢	3-6 months GH¢	6-12 months GH¢	Over 12 mths GH¢	Total GH¢
Assets					
Cash and balances with Bank of Ghana	18,826,742	-	-	-	18,826,742
Financial investments	2,202,323	11,679,678	42,773,267	2,663,265	59,318,533
Due from other banks and financial institutions	47,835,266	-	-	-	47,835,266
Loans and advances to customers	13,193,793	5,507,183	6,548,877	61,175,108	86,424,961
Other assets	-	2,482,117	-	-	2,482,117
Amounts due from associated companies	-	-	-	86,092	86,092
Investment in associate	-	-	-	161,000	161,000
Current tax asset	-	-	-	-	-
Deferred tax asset	-	-	-	298,982	298,982
Property and equipment	-	-	-	3,831,363	3,831,363
Total assets	82,058,124	19,668,978	49,322,144	68,215,810	219,265,056

	0-3 months GH¢	3-6 months GH¢	6-12 months GH¢	Over 12 mths GH¢	Total GH¢
Liabilities					
Customer deposits	81,380,816	48,719,609	22,791,108	4,893,802	157,785,336
Balances due to Bank of Ghana	-	-	-	-	-
Due to other banks	38,328,008	4,747,426	-	-	43,075,434
Interest payable and other liabilities	2,158	6,907,332	2,982	-	6,912,472
Current tax liability	-	16,058	-	-	16,058
Deferred tax liability	-	-	-	-	-
Subordinated shareholder loan	-	-	-	2,000,000	2,000,000
Total liabilities	119,710,982	60,390,425	22,794,090	6,893,802	209,789,300
Net liquidity gap	(37,652,858)	(40,721,447)	26,528,054	61,322,008	9,475,757

Liquidity crises management

Liquidity crisis is defined as a condition where the bank is unable to meet maturing liabilities/or regulatory reserve requirements due to inadequate liquid assets or a condition that arises from a sudden deterioration of the perceived safety and credibility of the Bank resulting in substantial withdrawal of funds by depositors.

This is deemed to have occurred when any of the following conditions exist:

- Liquidity guidelines/ratios have been breached for four consecutive weeks.

- BoG support facilities have been accessed for three or more consecutive weeks.

Management has put in place a Contingency Action Plan to manage liquidity crisis. The plan includes action points together with responsibilities for ensuring that steps are taken to manage the crisis.

(f) Market risk management

Market risks arise from interest rate products and open positions in currency, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The interest rate mismatch report in addition to interest rate sensitivity reports using different rates are produced for ALCO meetings as part of the process of managing interest rate risk. Different interest rate sensitivity scenarios, 1 to 5 percent changes, are produced for review at each ALCO. The review is guided by profitability, liquidity needs (projections) and interest rate risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The open positions of currencies held are monitored on a daily basis. The objective of monitoring the open position in foreign currency is to manage foreign exchange risk due to movements in rates as well as changes in liquidity positions. The bank has adopted the Bank of Ghana requirement that banks maintain a total open position which is equal to 30% of their net worth. Within this limit, banks are also required to maintain single currency open positions equal to 15% of net worth.

Included in the table are the Bank's assets and liabilities at carrying amounts categorised by currency:

At 31 December, 2008	EUR GH¢	GBP GH¢	USD GH¢	GHC GH¢	Total GH¢
Assets					
Cash and balances with Bank of Ghana	317,774	152,314	401,265	17,955,390	18,826,742
Due from other banks and financial institutions	11,735,834	1,351,984	14,747,449	20,000,000	47,835,266
Financial Investments	-	-	-	59,318,533	59,318,533
Loans and advances to customers	2,024	716,954	25,208,563	60,497,420	86,424,961
Other assets	-	-	-	2,482,117	2,482,117
Amounts due from associated companies	-	-	-	86,092	86,092
Investment in associate companies	-	-	-	161,000	161,000
Deferred tax asset	-	-	-	298,982	298,982
Property and Equipment	-	-	-	3,831,363	3,831,363
Total assets	12,055,632	2,221,251	40,357,276	164,630,897	219,265,056
Liabilities					
Customer deposits	11,563,498	1,708,029	27,390,796	117,123,044	157,785,366
Due to other banks	-	-	12,965,934	30,109,500	43,075,434
Interest payable and other liabilities	5,376	4,821	348,192	6,554,084	6,912,472
Current tax liability	-	-	-	16,058	16,058
Subordinated shareholder loan	-	-	-	2,000,000	2,000,000
Total liabilities	11,568,873	1,712,849	40,704,922	155,802,686	209,789,330
Net on balance sheet position	486,759	508,402	(347,646)	8,828,212	9,475,726
Net off balance sheet position	250,788	-	84,938	1,343,846	1,679,572

At 31 December, 2007	EUR GH¢	GBP GH¢	USD GH¢	GHC GH¢	Total GH¢
Assets					
Cash and balances with Bank of Ghana	2,160,708	303,507	975,341	4,003,889	7,443,445
Due from other banks and financial institutions	14,427,900	383,540	431,955	24,565,982	39,809,377
Financial Investments	-	-	-	58,264,501	58,264,501
Loans and advances to customers	1,418,763	-	10,753,225	22,121,391	34,293,379
Other assets account	8,465	36	40	3,333,472	3,342,013
Amounts due from associate companies	-	-	-	86,092	86,092
Investment in associate companies	-	-	-	161,000	161,000
Current tax asset	-	-	-	153,188	153,188
Property and Equipment	-	-	-	2,778,031	2,778,031
Total assets	18,015,836	687,083	12,160,561	115,467,546	146,331,026
Liabilities					
Customer deposits	20,544,744	1,015,189	10,976,919	88,831,854	121,368,706
Balances due to Bank of Ghana	-	-	-	1,000,000	1,000,000
Due to other banks	-	-	2,399,750	7,609,500	10,009,250
Interest payable and other liabilities	-	-	29,037	4,594,536	4,623,573
Deferred tax liability	-	-	-	361,037	361,037
Subordinated shareholder loan	-	-	-	2,000,000	2,000,000
Total liabilities	20,544,744	1,015,189	13,405,706	104,396,927	139,362,566
Net on balance sheet position	(2,528,907)	(328,106)	(1,245,145)	11,070,618	6,968,460

The amount of total assets and total liabilities held inside and outside Ghana is analysed below:

Foreign currency exposure	2008 Ghana GH¢	2008 Outside GH¢	2007 Ghana GH¢	2007 Outside GH¢
Assets				
Cash and balances with Bank of Ghana	5,343,727	18,038,332	3,192,212	589,400
Due from other banks and financial institutions	-	5,687,910	15,243,395	4,274,218
Loans and advances to customers	25,203,687	-	8,623,724	-
Other assets	483	-	33,054	-
	30,547,897	23,726,242	27,092,385	4,863,618
Liabilities				
Customer deposits	13,335,627	27,510,135	176,300	1,640,700
Interest payable and other liabilities	-	-	3,140	-
Due to other banks	12,965,934	-	-	-
	26,301,561	27,510,135	179,440	1,640,700

(g) Capital management

The bank's objectives when managing capital are (i) to comply with the capital requirements set by the Bank of Ghana, (ii) to safeguard the bank's ability to continue as a going concern and (iii) to maintain a sufficient capital base to ensure strong credit ratings and to support its business and maximize shareholder value. Compliance with capital adequacy ratios set by the Bank of Ghana is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Finance Director.

Under the current capital requirements set by the Bank of Ghana, banks have to maintain a ratio of regulatory capital to weighted risk assets ("capital adequacy ratio") above 10%.

Regulatory capital as defined by the Bank of Ghana has two (2) components;

Tier 1 capital: share capital arising on permanent shareholders' equity, retained earnings and reserves created; and

Tier 2 capital: qualifying subordinated loan capital, and unrealised gains arising on the fair valuation of equity instruments held as available for sale. For an instrument to quality as subordinated loan capital, it should possess the following attributes:

- should be unsecured
- repayment is subordinated to other debt instruments
- should have a minimum original fixed term to maturity of over 5 years
- not available to absorb the losses of a bank which continues trading.

The permissible amount of total qualifying subordinated loan capital is limited to a maximum of 50% of Tier I capital.

The risk-weighted assets are measured in accordance with the guidelines as provided by the Bank of Ghana. It takes into account the nature of, and reflecting an estimate of credit, market and other risks associated with each asset and counterparty.

The table below summarises the composition of regulatory capital, total weighted risk assets and the capital adequacy ratios of the Bank for the years ended 31 December 2008 and 2007.

	2008 GH¢	2007 GH¢
Paid-up Capital	8,617,388	5,072,388
Disclosed Reserves	555,377	(161,626)
Permanent Preference Shares	-	2,100,000
Other adjustments	(351,298)	(698,387)
Tier 1 Capital	8,821,467	6,312,375
Less:		
Goodwill/Intangibles	-	324,025
Investments in Unconsolidated Subsidiaries	86,092	86,092
Investments in the capital of Other Banks & Fin Insts.	265,206	288,270
Tier 2 Capital - Subordinated Term Debt	2,000,000	2,000,000
Total Capital	10,821,467	8,312,375
Risk weighted assets	92,666,964	67,556,388
Tier 1 capital adequacy ratio	9.5%	9.3%
Total capital adequacy ratio	11.7%	12.3%

During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject to.

29. Disclosures for a first-time adopter of IFRS

"For all periods up to and including the year ended 31 December 2007, the company prepared its financial statements in accordance with Ghana Accounting Standards (GAS). These financial statements, for the year ended 31 December 2008, are the first the company has prepared in accordance with International Financial Reporting Standards (IFRS).

Accordingly, the company has prepared financial statements which comply with IFRS applicable for periods beginning on or after 1 January 2008 as described in the accounting policies. In preparing these financial statements, the company's opening balance sheet was prepared as at 1 January 2007, the company's date of transition to IFRS. This note explains the principal adjustments made by the company in restating its GAS balance sheet as at 1 January 2007 and its previously published GAS financial statements for the year ended 31 December 2007.

a. Reconciliation of equity as at 1 January 2007 (date of transition to IFRS)

	Notes	GAS GH¢	Remeasurem'ts GH¢	IFRS GH¢
Assets				
Cash and balances with Bank of Ghana	A	3,821,210	106,675	3,927,885
Financial investments	B	57,401,248	1,301,365	58,702,613
Due from other banks and financial institutions		9,260,639	-	9,260,639
Loans and advances to customers		3,206,220	-	3,206,220
Other assets	A	2,275,927	9,043	2,284,970
Current tax asset	A	53,309	357	53,666
Amounts due from associated companies	A	86,092	(34,736)	51,356
Investment in associate	C	288,270	(236,880)	51,390
Deferred start-up cost	D	410,252	(410,252)	-
Property and equipment		2,668,478	-	2,668,478
		79,471,645	735,572	80,207,217
Liabilities				
Customer deposits		58,763,684	-	58,763,684
Balances due to Bank of Ghana		130,326	-	130,326
Due to other banks		9,000,000	-	9,000,000
Interest payable and other liabilities	A	2,197,472	1,800	2,199,272
Deferred tax liability	E	-	413,713	413,713
Subordinated shareholders' loan		3,000,000		3,000,000
Shareholders' fund				
Stated capital		7,172,388	-	7,172,388
Statutory reserves		110,977	-	110,977
Available for Sale reserves	F	-	863,760	863,760
Income surplus	G	(903,202)	(543,701)	(1,446,903)
		79,471,645	735,572	(80,207,217)

A. Consolidation of FAML subsidiary balances.

B. Consolidation of FAML subsidiary treasury bill balances (22,415), reclassification of investment in associate company to financial investment (127,270), and gain from fair valuation of government bonds (1,151,680).

C. Consolidation adjustment to cancel cost of investment FAML subsidiary (101,000), share of income surplus of FCPL associate (8,610), and reclassification of investment in associate company to financial investment (127,270)

D. De-recognition of deferred start-up costs at transition date.

E. Recognition of deferred tax liability at transition date

F. Net gain from fair valuation of government bonds after accounting for deferred tax effect.

G. Consolidation of FAML subsidiary income surplus (954), share of income surplus of FCPL associate (8,610), of deferred setup costs (41,525), and deferred tax liability (125,793).

b. Reconciliation of equity as at 31 December 2007

	Notes	GAS GH¢	Remeasurem'ts GH¢	IFRS GH¢
Assets				
Cash and balances with Bank of Ghana		7,443,445	-	7,443,445
Financial investments	A	57,171,181	1,228,123	58,399,304
Due from other banks and financial institutions	H	39,809,377	45,685	39,855,062
Loans and advances to customers	I	34,347,918	(54,539)	34,293,379
Other assets	J	3,307,529	53,301	3,360,830
Current tax asset	A	153,188	(13,277)	139,911
Amounts due from associated companies	A	86,092	(34,736)	51,356
Investment in associate	K	288,270	(222,311)	65,959
Deferred start-up cost	D	362,551	(362,551)	-
Property and equipment	L	2,719,050	61,055	2,780,105
		145,688,601	700,750	146,389,351
Liabilities				
Customer deposits		121,368,706	-	121,368,706
Balances due to Bank of Ghana		1,000,000	-	1,000,000
Due to other banks		10,009,250	-	10,009,250
Interest payable and other liabilities	A	4,623,573	3,400	4,626,973
Deferred tax liability	E	-	361,037	361,037
Subordinated shareholders' loan		2,000,000		2,000,000
Shareholders' fund				
Stated capital		7,172,388	-	7,172,388
Statutory reserves		264,432	-	264,432
Available for Sale reserves	M	-	724,537	724,537
Regulatory credit risk reserve				
Income surplus	N	(749,748)	(388,224)	(1,137,972)
		145,688,601	700,750	146,389,351

H. Consolidation of FAML subsidiary treasury bill balances (134,803), reclassification of investment in associate company to financial investment (127,270), and gain from fair valuation of government bonds (966,050).

A. Consolidation of FAML subsidiary balances.

I. Additional impairment allowance over bad debt provision under GAS.

J. Consolidation of FAML subsidiary balances (18,817), and reclassification of deferred setup costs to prepayment (3,484).

K. Consolidation adjustment to cancel cost of investment in FAML subsidiary (101,000), share of income surplus of FCPL associate (5,959), and reclassification of investment in associate company to financial investment (127,270).

D. De-recognition of deferred start-up costs at transition date.

L. Consolidation of FAML subsidiary balances (2,074), and reclassification of deferred setup costs to prepayments (58,981).

E. Recognition of deferred tax liability.

M. Net gain from fair valuation of government bonds after accounting for deferred tax effect.

N. Consolidation of FAML subsidiary income surplus (48,966), share of income surplus of FCPL associate (5,959), write-off of deferred setup costs (269,086), additional impairment charge (54,539), and deferred tax liability (119,524).

c. Reconciliation of profit or loss for the year ended 31 December 2007

	Notes	GAS GH¢	Remeasurem'ts GH¢	IFRS GH¢
Interest income	O	14,204,613	94,888	14,299,501
Interest expense		(10,201,588)	-	(10,201,588)
Net interest income		4,003,025	94,888	4,097,913
Fees and commissions	A	2,610,144	48,914	2,659,058
Other operating income	A	1,071,474	10,978	1,082,452
Operating income		7,684,643	154,780	7,839,423
Operating expenses	P	(6,707,797)	(159,415)	(6,867,212)
Charge for bad and doubtful debts	I	(459,937)	(54,539)	(514,476)
Set-up cost write-off	Q	(210,000)	210,000	-
Operating profit		306,909	150,826	457,735
Share of profit of associate	R	-	19,345	19,345
Profit before taxation		306,909	170,171	477,080
Income tax expense	R	-	(9,918)	(9,918)
Share of income tax expense of associate	S	-	(4,776)	(4,776)
Profit after tax		306,909	155,477	462,386

O. Consolidation of FAML subsidiary interest income (19,136), and additional interest income on staff loans (75,752).

A. Consolidation of FAML subsidiary balances.

P. Consolidation of FAML subsidiary operating costs (14,829), additional deferred start-up costs written-off (68,834), and additional interest on staff loans (75,752).
I. Additional impairment allowance over bad debt provision under GAS.

Q. Reversal of deferred start-up costs written-off at transition date.

R. Consolidation of net profit and income tax of FCPL associate.

R. Consolidation of income tax expense of FAML subsidiary (16,187) and deferred tax expense (6,269).

List of Fidelity Bank Branches

1. RIDGE TOWER BRANCH
   10 Ambassadorial Enclave, Ridge - Accra.
   Tel: +233 (0)21 214490

2. OSU BRANCH
   Adwoa Adjeiwaa Building, Cantonments Road, Osu-Accra.
   Tel: +233 (0)21 760482

3. SPINTEX BRANCH
   Spintex Road, Accra.
   Tel: +233 (0)21 816030

4. KUMASI POST BANK BRANCH
   Baba Yara Stadium, Asokwa.
   Tel: +233 (0)51 49814

5. ADUM BRANCH
   Osei Tutu I Avenue, Adum, Kumasi.
   Tel: +233 (0)51 47480

6. TEMA SAFEBOND BRANCH
   Bond House, New Harbour Container Terminal, Tema.
   Tel: +233 (0)22 213390

7. ABOSSEY OKAI BRANCH
   No.13 Winneba Road, Kaneshie, Mpamprom, Accra.
   Tel: +233 (0)21 679361

8. KANTAMANTO BRANCH
   No.115 Block 6, Agbogbloshie, Near Second Hand Dealers Market, Accra.
   Tel: +233 (0)21 679318 / 679326 / 679351

9. REGISTRAR GENERAL COLLECTION CENTER
   Registrar General Office, Accra.
   Tel: +233 (0)21 677966

10. TUDU BRANCH
    Dakmak House, Boundary Road, Accra.
    Tel: +233 (0)21 680567

11. HIGH STREET BRANCH
    City Car Park Building, High Street, Accra.
    Tel: +233 (0)21 673103

12. TAKORADI BRANCH
    Kofi Annan Avenue, Market Circle, Takoradi.
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