ASANTE AKYEM RURAL BANK LIMITED

FINANCIAL STATEMENTS

2018

HEAD OFFICE- JUANSA
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ASANTE AKYEM RURAL BANK LIMITED

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VISION

To grow the bank to be a first class leader in commuinity banking dedicated to protecting the interest of the various stakeholders.

ASANTE AKYEM RURAL BANK LIMITED

BOARD OF DIRECTORS AND OFFICIALS

Board of Directors	Dr. Phillip Yaw Amakye	- Ag. Chairman (Appointed - 9/12/18)
	Hon. Emmanuel Antwi Bosiako	- Member
	Mr. Francis Bright Appiadu	- Member
	Dr. Osei Darkwa	- Member
	Mr. Kwaku Nti-Obeng	- Member
	Mr. Francis Opuni Sekyere	- Former Chairman (Resigned - 8/12/18)
	Mr. Joseph Amponsah Minkah	- Member (Resigned - 8/12/18)
	Ms. Doris Osei Akoto	- Member (Resigned - 8/12/18)
	Mr. Michael K. Anyamesem	- Co-opted Member (Resigned - 8/12/18)
	Mr. Kingsley Amofa Frimpong	- Co-opted Member (Resigned - 8/12/18)
	Kwame Adom Appiah Esq.	- Co-opted Member (Resigned - 8/12/18)
Company Secretary	Hon. Emmanuel Antwi Bosiako	- Board Secretary
Management	Mr. Atta Gyamfi	- General Manager
	Mr. Anthony Akwasi Boateng	- Deputy Manager
	Mr. Francis Ofori	- Credit Manager
	Mr. Ernest Osei	- Internal Auditor
	Mr. Isaac Akuamoah-Boateng Adueni	- ICT Head
	Mr. Frederick Osei Tutu	- Operations Manager

Registered Office

Asante Akyem Rural Bank Limited Building
Juansa, Ashanti
P. O. Box 25,
Juansa - Ashanti Region

Auditors

Donaldy Associates
Chartered Accountants
P. O Box KS 6608
Adum-Kumasi

Solicitors

Mr. Anyimadu Antwi
Owusu Bempah Law Chambers
P. O. Box 3336, Kumasi

Bankers

ARB Apex Bank Limited
Zenith Bank Ghana Limited

REPORT OF THE DIRECTORS TO THE MEMBERS OF

ASANTE AKYEM RURAL BANK LIMITED

YEAR ENDED 31 DECEMBER, 2018

The Directors present their report together with the audited financial statements of the bank for the year ended 31 December, 2018:

1. DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. The directors have made an assessment of the ability of the bank to continue as a going concern and have no reason to believe that the bank will not be a going concern in the year ahead.

2. NATURE OF BUSINESS

The bank's principal activities are provision of rural banking services.
There was no change in the nature of the Bank's business during the year.

3. FINANCIAL RESULTS

The results of operations for the year ended 31 December, 2018 are set out in the attached financial statements, highlights of which are as follows:

	2018 GH¢	2017 GH¢
The Bank recorded a net profit before taxation of	1,310,396	1,119,355
From which is deducted income tax expense of	(429,427)	(398,555)
Giving a net profit after tax of	880,969	720,800
There is a transfer to statutory reserve fund of	(220,242)	(90,100)
Leaving a profit for the year after tax and transfer to statutory reserve of	660,727	630,700
When add to the opening balance on the income surplus account as of 1 January	4,362,435	4,873,383
From which is deducted transfer to stated capital of	-	(700,000)
From which is deducted other payments - previous years taxes of	(306,913)	(312,749)
And adjusting it with net credit risk reserves of	(181,769)	-

From which is deducted final dividend paid of	(77,036)	(128,899)
Leaving a closing balance on the income surplus account of	**4,457,444**	**4,362,435**

4. STATED CAPITAL

The Bank's Stated Capital relating to Ordinary Shares issued increased from GH¢1,229,934 as at the end of the previous year to GH¢1,426,498; recording an increase of GH¢196,564 as at close of the year. The number of issued shares also increased from 59,268,847 to 61,234,487 showing an increase of 1,965,640.

5. DIVIDEND

The Directors recommend the payment of dividend for the year of GH¢0.0033 per share (2017- Nil) on 61,234,487 (2017- 59,268,847) ordinary shares which qualifies for dividends amounting to GH¢200,813 (2017: Nil).

6. CORPORATE GOVERNANCE

The Board of Directors is committed to ensuring good corporate governance as a means of determining the direction and performance of the Bank. To this end, the Bank aims to comply with best practices in corporate governance.

7. DIRECTORS REPRESENTATION

The Directors confirm that no matters have arisen since 31 December, 2018 which materially affect the financial statements as presented.

8. AUDITORS

In accordance with Section 81(4) of the Banks and Specia;ized Deposit-Taking Institutions Act, 2016 (Act 930), our current Auditors, Donaldy Associates will be replaced with new Auditors.

9. APPROVAL OF THE FINANCIAL STATEMENTS

The Financial Statements were approved by the Board of Directors on 4th May, 2019 and were signed on their behalf by the following:

BOARD CHAIRMAN

DIRECTOR

DA
Donaldy Associates
Chartered Accountants
House of Excellence Annex
Adum, Kumasi

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF ASANTE AKYEM RURAL BANK LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2018

Our Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Asante Akyem Rural Bank Limited as at 31 December, 2018 and of its financial performance, changes in equity and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

What we have audited

We have audited the financial statements of Asante Akyem Rural Bank Limited for the year ended 31 December, 2018. The financial statements comprise:

- Statement of financial position as at 31st December, 2018;
- Statement of profit or loss and other comprehensive income for the year then ended;
- Statement of changes in equity for the year then ended;
- Statement of cash flows for the year then ended; and
- Notes to the financial statements, which include a summary of significant accounting policies.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Notes 17(a) and 22 of the financial statements, which indicate that the bank has investments in fixed deposits and accrued interest of GH¢7,950,000 and GH¢1,959,232 respectively with some financial institutions. Repayment from the investees has been of a challenge but the board is of the opinion that it will be recovered.

Independence

We are independent of the bank in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter:

Impairment of Loans and Advances	**How our audit addressed the Key Audit Matter**
The Bank adopted IFRS 9 - Financial Instruments during the period, which requires the measurement of expected	We evaluated the design and tested the implementation and operating effectiveness of the key controls over the

credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income.
The Bank reviews its loans and advances for impairment at the end of each reporting period. There are significant judgements made in the following areas in applying IFRS 9 - Financial Instruments.
These include:
Determining the stage of the financial assets and establishing groups of similar financial assets; determining criteria for significant increase in credit risk; determining the Probability of Default (PD) and Loss Given Default (LGD) and Expected Credit Loss (ECL) for each type of loan.
Due to the significant judgements that are applied by management in determining whether an impairment loss has occurred we considered this to be key audit risk.

The bank is also required to compute loan provision in accordance with the Bank of Ghana (BOG) prudential guidelines. There is the risk of inappropriate classification of loans and advances in accordance with BOG's guidelines that results in inaccurate loan impairment computations.
The bank is also required to make transfers from income surplus to regulatory credit risk reserve based on the excesses of IFRS impairment and BOG provision.

The disclosures relating to impairment of loans and advances to customers are considered important to users of the financial statements given the level of judgement and estimation involved.

computation of impairment loss.

In evaluating the design of controls, we considered the appropriateness of the control considering the nature and significance of the risk, competence and authority of person(s) performing the control, frequency and consistency with which the control is performed.

In performing operating effectiveness of controls, we selected a sample of transactions based on the control frequency to determine whether the control operated during the year.

We performed an evaluation of management's key assumptions over the expected credit loss model (ECL), including the probability of default (PD) and the loss given default (LGD).

We challenged management's staging of its financial assets in the ECL module and tested facilities to ensure they have been included in the correct stage.

We tested the underlying data behind the determination of the probability of default by agreeing same to underlying supporting documentation.

We found that the assumptions used by management were comparable with historical performance and have been assessed as reasonable.

We further tested the disclosures to ensure that the required disclosures under IFRS 9 together with the first time adoption disclosures have been appropriately disclosed.

We further assessed as appropriate the classifications of the Bank's loans and advances in accordance with Bank of Ghana, prudential guidelines and the transfer of any excess provision over the IFRS computed provisions to the regulatory Credit Risk Reserve.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, Chairman's Report, Corporate Governance Report and Shareholders Information but does not include the financial statements and our auditors report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
If based on the work we have performed on the other information, we conclude that there is a material misstatement, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material miststatements, due to fraud or error.

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In preparing the financial statements, the directors are responsible for assessing the bank's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the bank or to cease operations, or have no alternative but to do so.

Auditors Responsibility for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or eror, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with the ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional ommissions, misrepresentations, or the override of internal controls.

• Obtain an understanding of internal controls relevant to the audit 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 bank's internal controls.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

• Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditons that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to continue as a going concern.

•Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in the manner that achieves fair presentation.

•We communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during oyr audit.

Report on other Legal and Regulatory Requirements

The Companies Act, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account have been kept by the Bank in so far as appears from our examination of those books;

c) The Bank's financial position and profit or loss and other comprehensive income are in agreement with the books of account;

The Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) Section 85 (2) requires that we state certain matters in our report. We hereby state that :

a) In our opinion, the accounts give a true and fair view of the state of affairs of the Bank and the results of its operations for the period under review;

b) We obtained all the information and explanations required for the efficient performance of our duties as auditors;

c) In our opinion, the Bank's transactions were within its powers;

d) In our opinion, the Bank has generally complied with the proviions of the Anti-Money Laundering Act, 2008

(Act 749), the Anti-Terrorism Act, 2008 (Act 762) and the Regulations made under these enactments; and
e) The Bank has generally complied with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The engagement partner on the audit resulting in this independent auditor's report is Robert Donaldy (ICAG/P/1113).

Donaldy Associates

7th May, 2019

Donaldy Associates (ICAG/F/2019/100)
Chartered Accountants
House of Excellence Annex
Adum, Kumasi

ASANTE AKYEM RURAL BANK LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER, 2018

	(NOTES)	2018	2017
		GH¢	GH¢
Interest Income	**(7)**	9,444,689	8,459,445
Interest Expense	**(7)**	(2,182,125)	(1,263,617)
Net Interest Income		**7,262,564**	**7,195,828**
Fees & Commission Income	**(8)**	2,943,864	2,575,148
Fees & Commission Expense	**(8)**	(483,661)	(345,326)
Net Fees & Commission Income		**2,460,203**	**2,229,822**
Other Income	**(9)**	-	6,900
Net Other Income		**-**	**6,900**
Total Operating Income		**9,722,767**	**9,432,550**
Net Impairment Loss on Financial Assets	**(19)**	(236,371)	(588,707)
Personnel Expenses	**(10)**	(3,332,009)	(3,650,959)
Depreciation & Amortisation	**(11)**	(378,973)	(402,073)
Other Expenses	**(12)**	(4,465,017)	(3,671,456)
Total Operating Expenses		**(8,412,371)**	**(8,313,195)**
Profit Before Tax		**1,310,396**	**1,119,355**
Income Tax Expense	**(13)**	(429,427)	(398,555)
Profit For The Year		**880,969**	**720,800**
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year		**880,969**	**720,800**

Basic Earnings Per Share (Cedis)	**(14)**	**0.0144**	**0.0122**
Diluted Earnings Per Share (Cedis)	**(14)**	**0.0144**	**0.0122**

The notes form an integral part of these financial statements.

ASANTE AKYEM RURAL BANK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER, 2018

		2018	2017
ASSETS	**(NOTES)**	GH¢	GH¢
Cash and Cash Equivalents	**(16)**	7,541,310	6,263,962
Non-Pledged Trading Assets	**(17)**	14,450,000	14,000,000
Pledged Trading Assets	**(18)**	5,970,000	3,170,000
Loans and Advances to Customers	**(19)**	18,310,679	18,285,884
Other Assets	**(22)**	5,387,075	5,082,704
Investment Securities	**(23)**	82,558	82,558
Current Tax Assets	**(13)**	362,735	-
Property, Plant & Equipment	**(24)**	1,737,433	1,379,227
Total Assets		**53,841,790**	**48,264,335**
LIABILITIES			
Deposits from Customers	**(25)**	42,951,330	36,649,262
Current Tax Liabilities	**(13)**	-	55,842
Deferred Tax Liabilities	**(21)**	22,673	12,036
Other Liabilities	**(26)**	2,079,704	2,435,233
Institutional Borrowings	**(27)**	1,270,308	2,287,777
Total Liabilities		**46,324,016**	**41,440,150**
EQUITY			
Stated Capital	**(29)**	1,426,498	1,229,934
Income Surplus		4,457,444	4,362,435
Revaluation Reserve	**(30)**	39,404	39,404
Statutory Reserve	**(31)**	1,314,961	1,094,719
Credit Risk Reserve	**(32)**	181,769	-
Capital Grant	**(28)**	97,693	97,693
Total Equity		**7,517,769**	**6,824,185**

Total Liabilities and Equity	**53,841,790**	**48,264,335**

The financial statements were approved by the directors on 4th May, 2019 and were signed on their behalf by:

BOARD CHAIRMAN

DIRECTOR

The notes form an integral part of these financial statements.

ASANTE AKYEM RURAL BANK LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER, 2018

	(NOTES)	2018 GH¢	2017 GH¢
Cash flows from operating activities			
Profit before tax		1,310,396	1,119,355
Adjustments for:			
Depreciation & amortisation		378,973	402,073
Profit on Disposal		-	(6,900)
Impairment on financial assets		236,371	500,000
Change in loans and advances to customers		(261,165)	(4,689,824)
Change in non-pledged trading assets		(450,000)	(5,100,000)
Change in pledged trading assets		(2,800,000)	2,750,000
Change in other assets		(304,371)	(874,902)
Change in deposits from customers		6,302,068	5,338,509
Change in other liabilities		(355,529)	516,252
Other Payments		(306,913)	(312,749)
		3,749,830	**(358,186)**
Income tax paid		(837,368)	(609,209)
Net cash generated from operating activities		**2,912,462**	**(967,395)**
Cash flows from investing activities			
Purchase of property & equipment		(737,177)	(361,448)
Disposal of property, plant and equipment		-	6,900

Net cash used in investing activities		**(737,177)**	**(354,548)**
Cash flows from financing activities			
Dividend paid		(77,036)	(128,899)
Drawdown of borrowings		(1,017,469)	1,267,199
Issue of ordinary shares		196,564	13,450
Net cash used in financing activities		**(897,941)**	**1,151,750**
Net increase in cash and cash equivalents		1,277,344	(170,194)
Cash and cash equivalents at 1 January		6,263,962	6,434,156
Cash and cash equivalents at 31 December	**(16)**	**7,541,310**	**6,263,962**

The notes form an integral part of these financial statements.

ASANTE AKYEM RURAL BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER, 2018

1. Reporting entity

Asante Akyem Rural Bank Limited is a limited liability company incorporated in Ghana under the Companies Act, 1963 (Act 179). The address of the registered office of the bank is Asante Akyem Rural Bank Limited building, Juansa, P. O. Box 25 Juansa, Ashanti. The bank is authorised and licenced to provide rural banking services.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements also comply with the requirements of the Companies Act, 1963 (Act 179) and Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except otherwise stated.

c) Functional and presentational currency

The financial statements are presented in Ghana Cedis (GH¢), which is the Bank's functional and presentational currency.

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of

assets, liabilities, income and expenses. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes.

3. Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Interest

Interest revenue is generally recognised when future economic benefits of the underlying assets will flow to the organisation and it can be reliably measured. It is income derived from use of an entity's assets and hence the interest is mostly dependent on the underlying agreement. Interest income and expense are however generally recognised in the income statement on straight-line basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.
The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.
Interest income and expense presented in the P&L and OCI include:

- Interest on financial assets and liabilities at amortised cost on an effective interest rate basis and
- Interest on available-for-sale investment securities on an effective interest basis.

b) Fees and commissions

Fees and Commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees and special statement request are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

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

c) Other income

Other income comprises profit on disposal of assets.

d) Lease payments made

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

e) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the P&L/ OCI except to the extent that it relates to items recognized directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

f) Financial assets and liabilities

i) Recognition

The bank initially recognises loans and advances, deposits and debt securities issued on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the bank becomes a party to the contractual provisions of the instrument.

ii) De-recognition

The bank de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial asset that is created or retained by the bank is recognised as a separate asset or liability. The bank de-recognises a financial liability when its contractual obligations are discharged or cancelled or expired. The bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not de-recognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

iii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the financial position when, and only when, the bank has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from similar transactions.

iv) Amortised cost measurement

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

v) Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist and valuation models.

vi) Identification and measurement of impairment

At each reporting date the bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The bank considers evidence of impairment at both an individual and collective level. All individual significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the bank on terms that the bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers, or economic conditions that correlate with defaults in the group.

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

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

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

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost net of any principal repayment and amortisation and current fair value, less any impairment loss previously recognised in profit or loss out of equity to profit or loss. When a subsequent event that can be related to the event causes the amount of impairment loss on an available-for-sale- debt security to decrease, the impairment loss is reversed through profit or loss, otherwise, the decrease is recognised through OCI.

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

vii) Designation at fair value through profit or loss

The bank has designated financial assets and liabilities at fair value through profit or loss when either:

-the assets or liabilities are managed, evaluated and reported internally on a fair value basis;

-the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or

-the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

The notes sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

g) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with ARB Apex Bank and Other Banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost or fair values in the statement of financial position depending on the business model for managing the asset or the cash flow characteristics of the asset.

h) Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position with transaction costs taken directly to profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

i) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the bank does not intend to sell immediately or in the near term.

When the bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the financial asset is recognised within loans and advances.

When the bank purchases a financial asset under a commitment to sell the asset (or a substantially similar asset) at a fixed price on a future date (“reverse repo or stock borrowing"), the financial asset is accounted for as a loan, and the underlying asset is not recognised in the bank's financial statements.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the bank chooses to carry the loans and advances at fair value through profit or loss as described in the accounting policies.

j) Investment securities

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

i) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method.

It must be noted that IFRS 9 only considers fair value and amortised cost based on the business models for managing the financial asset and the contractual cash flow characteristics of the financial asset. Thus all held-to-maturity assets are classified as amortised cost.

(ii) Fair value through profit or loss

The bank carries some investment securities at fair value, with fair value changes recognised immediately in profit or loss as described in the accounting policy.

(iii) Available-for-sale

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

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the bank becomes entitled to the dividend.

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

k) Property, plant and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(ii) Subsequent costs

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

(iii) Revaluation model

After recognition of an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Revaluation model is used for only property and surpluses on such revaluations are restricted to tier two capital with respect to capital adequacy ratio computation.

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

Office Buildings	20 years
Plant & Machinery	5 years
Motor Vehicles	3 years
Office Furniture and Equipment	5 years
Computers & Accessories	4 years

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

m) Leased assets – lessee

Leases in terms of which the bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the bank statement of financial position at its fair value.

n) Impairment of non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

o) Provisions

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

A provision for onerous contracts is recognised when the expected benefits to be derived by the bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established the bank recognises any impairment loss on the assets associated with that contract.

p) Employee benefits

The bank contributes to two defined contribution schemes (Social Security Fund and Provident Fund) on monthly basis on behalf of employees and the last month outstanding contribution is included in creditors and accruals.

i) Social Security and National Insurance Trust (SSNIT)

Under a National Deferred Benefit Pension Scheme, the Bank contributes 13% of employee's basic salary in addition to 5.5% deduction from employees basic salary to SSNIT and Enterprise Trustees for employee pensions. The bank's obligation is limited to the relevant contributions, which were settled on due dates. The pension liabilities and obligations, however, rest with SSNIT and Enterprise Trustees.

ii) Provident fund

The bank has a provident fund scheme for all employees who have completed probation with the bank. Employees contribute 5% of their basic salary to the fund whilst the bank contributes 7.5%. The obligation under the plan is limited to the relevant contribution and these are settled on due dates.

(iii) Termination benefits

Termination benefits are recognised as an expense when the bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to employees who have reached their statutory retirement date.

(iv) 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 an amount expected to be paid under short-term cash if the bank 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.

q) Share capital and reserves

(i) Ordinary shares

The bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

(ii) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

r) Earnings per share

The bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the bank by the number of shares existing as at 31st October. Diluted EPS is determined by the number of shares existing at the end of December.

s) Dividends

Dividends are recognised as a liability in the period in which they are declared.

Dividend receivable from unquoted investmernts is recognized when the bank's right to receive the dividend is established.

t) Offsetting of financial assets and liabilities

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

u) Acceptances, letters of credit, financial guarantees and commitments

Acceptances, letters of credits, financial guarantees and commitments are considered contingent liabilities and are disclosed unless the possibility of an outflow of resources involving economic benefit is remote.

v) Borrowings (liabilities to banks and customers)

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method, any differences between proceeds net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Borrowings and other forms of financial liabilities shall be de-recognised from the books only when they are extinguished, ie when the obligation specified in the contract is discharged or cancelled or expired.

w) Application of new and revised International Financial Reporting Standards (IFRS)

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. It is effective for annual periods beginning on or after 1 January, 2018, with early applicatation permitted. The bank adopted this standard effective 1January, 2018 and will not restate comparative information or apply it retrospectively.

a) Classification and measurement

The bank does not expect a significant impact on its balance sheet or equity in applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

b) Impairment

IFRS 9 requires the bank to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The bank applies the simplified approach and calculate expected losses on all its instruments.

Impairment Loss Schedule - 2018:

Impairment Loss classification per IFRS 9	Stage 1 12-months ECL GH¢	Stage 2 Lifetime ECL Not credit impaired GH¢	Stage 3 Lifetime ECL Credit impaired GH¢	Total GH¢
Loans loss allowance	180,566	570,594	886,724	1,637,883
	180,566	570,594	886,724	1,637,883
Impairment per BOG Guidelines				1,819,652
Decrease				(181,769)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five - step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services. The new revenue standard supersedes all current revenue recognition requirements under IFRS and the bank complied with it.

4. Financial risk management

a) Introduction and overview

The banks activities expose the business to risks. These risks are managed in a targeted manner. Key risks arising from core functions are identified and measured to facilitate managing and determining risk positions and capital allocations.

The bank has exposure to the following risks from the use of financial instruments.

- credit risk
- liquidity risk
- market risk
- operational risk.

This note presents information about the bank exposure to these risks,including the objectives, policies and processes for measuring and managing the risks as well as their impact on earnings and capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. The Board has established the Audit, Finance and Credit Committees which are responsible for developing and monitoring the bank's 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 risk management policies are established to identify and analyse the risks faced by the bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.
The bank through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.
The bank's Audit Committee is responsible for monitoring compliance with the bank’s risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the bank. The bank Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

b) Credit risk

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

Management of credit risk

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

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation and structure for the approval and renewal of credit facilities. Authorisation limites are allocated to branch managers. Larger facilities require approval by the head of credit, the General Manager and the Board of Directors as appropriate.
- Reviewing and assessing credit risk. The bank credit committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band and market liquidity (for investment securities).
- Developing and maintaining the bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures.

  The current risk grading framework consists of various grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews by the bank risk function.
- Reviewing compliance with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to the bank credit committee on the credit quality of portfolios and appropriate corrective action being taking.
- Providing advice, guidance, specialist skills and training to promote best practice throughout the bank in the management of credit risk.

Each branch is required to implement bank credit policies and procedures, with credit approval authorities delegated from the bank Credit Committee. Each branch has a credit risk officer who reports on all credit related matters to local management and the bank credit committee.
Each branch is responsible for the quality and performance of its credit portfolio and for monitoring risks in its portfolios, including those subject to central approval. Regular audits of business units and bank credit processes are undertaken by Internal Audit.

Impaired loans and securities

Impaired loans and securities are loans and securities for which the bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s). Interest on these loans are calculated and treated on non-accrual basis and portions shall only be considered when payments (settlement) are made.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the bank has made concessions that it would not otherwise consider. The status or risk grade of a restructured facility does not change until there is evidence of performance over a reasonable period of time.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the bank shall recalculate the gross asset, the bank shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss.
The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit-impaired financial assets). Any costs or fees that are incurred will adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Allowances for impairment

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

Write-off policy

The bank writes off a loan when it determines that the loans are uncollectible. This determination will be reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower or issuer can no longer discharge the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. Related and connected lending is not permitted to be written off.

Collateral of impaired exposures

The bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral is not normally held for loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is not usually held against investment securities, and no such collateral was held at 31 December 2018 or 2017. An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below. It must however be noted that collateral values for impaired loans are at cash flows of the forced sale values less estimated costs of sale as discounted to present values:

	Loans & advances to customers 2018 GH¢	Loans & advances to customers 2017 GH¢
Cash and near cash instruments	1,155,669	1,141,254
	1,155,669	**1,141,254**

Repossessed assets

The bank did not repossessed any customer's asset during the period. If the bank would have repossessed, the type and carrying amount of collateral would have been the lower of its carrying amount and fair value less costs to sell:
All assets repossessed if any are to be sold within one year of possession and approval would be sought

from Bank of Ghana for those for which efforts towards sale have not been successful within one year.

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

	2018	2017
	GH¢	GH¢
Agriculture	187,968	215,712
Cottage Industry	-	149,336
Transport	147,937	-
Trading	6,031,747	5,472,100
Others	13,580,907	13,931,095
	19,948,559	19,768,243
Credit impairment loss	(1,637,880)	(1,482,358)
	18,310,679	**18,285,885**

c) Liquidity risk

Liquidity risk is the risk that the bank will encounter difficulty in meeting obligations from its financial liabilities as they fall due. The risk arises from mismatches in cash flows.

Management of liquidity risk

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

The Head office receives information from branches regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Head office then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other bank facilities, to ensure that sufficient liquidity is maintained within the bank as a whole. The liquidity requirements of branches are met through funds from Head Office to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements. When an operating branch is subject to a liquidity limit, it manages its liquidity within the regulatory limit in co-ordination with Head Office. Head Office monitors compliance of all operating branches with local regulatory limits on a daily basis.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the finance and operations committee. Daily reports cover the liquidity position of the bank. A summary report including any exceptions and remedial action taken, is submitted regularly to the finance and operations committee.

Exposure to liquidity risk

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

	2018	2017

	%	%
At 31 December	65.16	59.77
Average for the period	66.67	64.25
Maximum for the period	69.42	73.95
Minimum for the period	63.92	54.54

d) Market risk

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

Management of market risk

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

Overall authority for market risk is vested in credit committee. The bank is responsible for the development of detailed risk management policies (subject to review and approval by the credit committee) and for the day-to-day review of their implementation.

Exposure to market risk – trading portfolios

The principal tool used to measure and control market risk exposure within the bank's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). VaR model used by the bank is based upon a 99 percent confidence level and assumes a 10-day holding period. The VaR model used is based mainly on historical simulation. Taking account of market data from the previous two years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The bank uses VaR limits for total market risk, interest rate, equity and other price risks.

The overall structure of VaR limits is subject to review and approval by credit committee.

VaR limits are allocated to trading portfolios. VaR is measured at least daily and more regularly for more actively traded portfolios. Daily reports of utilisation of VaR limits are submitted to the bank risk and regular summaries are submitted to credit committee.

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each portfolio. In addition, the bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the bank's overall position.

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

The credit and marketing committee is the monitoring body for compliance with these limits and is assisted by finance and operations department in its day-to-day monitoring activities.
The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the bank's financial assets and liabilities to various standard and non-standard interest rate scenarious. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) fall or rise in all financial market interest rates.
Overall non-trading interest rate risk positions are managed by Central Treasury, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the bank's non-trading activities.

Exposure to other market risks – non-trading portfolios

Credit spread risk (not relating to changes in the obligor / issuer's credit standing) on debt securities held by Central Treasury and equity price risk is subject to regular monitoring by bank Risk, but is not currently significant in relation to the overall results and financial position of the bank.

(e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the bank's operations and are faced by all business entities.
The bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development

- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with the bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the bank.

(f) Capital management

Regulatory Capital

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

In implementing current capital requirement, Bank of Ghana requires the bank to maintain a prescribed ratio of total capital to total risk-weighted assets.The bank is also required to maintain a credible capital plan to ensure that capital level of the bank is maintained in consonance with the bank's risk appetite.

The banks regulatory capital is analysed in two tiers;

Tier 1 Capital, which includes ordinary share capital, perpetual bonds retained earnings, translation reserves and non -controlling after deductions for goodwill and other intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 Capital, which includes qualifying subordinated liabilities, and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

Various Limits are applied to elements of the capital base. Qualifying tier 2 capital cannot exceed tier 1 capital and qualifying term subordianted loan capital may not exceed 50% of tier 1 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regularory items.

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

The bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The bank has complied with all externally imposed capital requirements throughout the period. There have been no material changes in the bank's management of capital during the period.

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

Adjusted Capital Base	2018	2017
Tier 1 capital	GH¢	GH¢
Ordinary share capital	1,426,498	1,229,934
Disclosed Reserves	6,051,867	5,554,847
Less: Investments in the capital of other financial institutions	(82,558)	(82,558)
	7,395,807	6,702,223
Tier 2 capital		
Other reserves (Revaluation)	39,404	39,404
	39,404	39,404
Total Adjusted Capital Base (Tier 1 and Tier 2)	**7,435,211**	**6,741,627**

Adjusted Asset Base

Total assets	53,841,790	48,264,335
Less: Cash on hand	(2,611,514)	(1,915,371)
Claims on ARB Apex bank (clearing)	(2,857,603)	(2,181,385)
Claims on ARB Apex bank (5% Deposit)	(2,022,193)	(1,665,005)
Claims on government	(5,970,000)	(3,170,000)
Investment in the capital of other financial institutions	(82,558)	(82,558)
80% of claims on other banks	(40,000)	(401,761)
50% claims on other financial institutions	(7,225,000)	(7,000,000)
Adjusted total assets	33,032,922	31,848,255
100% of 3 years average annual gross income	11,032,369	9,286,114
Total Adjusted Asset Base	**44,065,291**	**41,134,369**
Capital adequacy ratio (adjusted capital base/adjusted asset base*100)	**16.87%**	**16.39%**

Capital allocation

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

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

5. Use of estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the bank critical accounting policies and estimates, and the application of these policies and estimates.
These disclosures supplement the commentary on financial risk management (see notes).

Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in the accounting policy. The individual counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based on management’s best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty’s financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the credit risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimated future cash flows for specific counterparty allowances and the model assumptions and parameters are used in determining collective allowances.

Determining fair values

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

Critical accounting judgements in applying the bank's accounting policies

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

Financial asset and liability classification

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

- In classifying financial assets or liabilities as "trading", the bank has determined that it meets the description of trading assets and liabilities set out in the accounting policy.
- In designating financial assets or liabilities at fair value through profit or loss, the bank has determined that it has met one of the criteria for this designation set out in the accounting policy.
- In classifying financial assets as held-to-maturity, the bank has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by the accounting policy.

6. Financial assets and liabilities

Accounting classifications and fair values

The table below sets out the bank's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

2018	Carrying value	Fair value
Assets as at 31 December, 2018	GH¢	GH¢
Cash and cash equivalents	7,541,310	7,541,310
Non-pledged assets	14,450,000	14,450,000
Pledged assets	5,970,000	5,970,000
Loans & advances to customers	19,948,559	18,310,679
Other assets	5,387,075	5,387,075
Investment securities	82,558	82,558
	53,379,502	**51,741,621**

Liabilities as at 31 December, 2018

Deposits from customers	42,951,330	42,951,330
Other liabilities	2,079,704	2,079,704
Institutional borrowings	1,270,308	1,270,308
	46,301,342	**46,301,342**

2017

Assets as at 31 December, 2017		
Cash and cash equivalents	6,263,962	6,263,962
Non-pledged assets	14,000,000	14,000,000
Pledged assets	3,170,000	3,170,000
Loans & advances to customers	19,768,243	18,285,884
Other assets	5,082,704	5,082,704
Investment securities	82,558	82,558
	48,367,467	**46,885,108**
Liabilities as at 31 December, 2017		
Deposits from customers	36,649,262	36,649,262
Other liabilities	2,435,233	2,435,233
Institutional borrowings	2,287,777	2,287,777
	41,372,272	**41,372,272**

		2018	2017
7.	**Net interest income**	GH¢	GH¢
	Interest income		
	Loans and advances to customers	5,639,340	4,043,992
	Investment (Trading)	3,805,349	4,415,453
	Total interest income	**9,444,689**	**8,459,445**
	Interest expense		
	Deposits from customers	1,819,806	1,263,617
	Debt securities issued	362,319	-
	Total interest expense	**2,182,125**	**1,263,617**
8.	**Net fees and commission income**		
	Fees and Commission Income		
	Retail banking customer fees	2,764,116	2,303,576
	SMS charges	49,037	71,131
	Sundry income	130,711	200,441
	Total fees and commission income	**2,943,864**	**2,575,148**
	Fees and commission expense		
	Bank charges/ clearing expenses	20,850	16,341
	Susu expenses	462,811	328,985
	Total fees and commission expense	**483,661**	**345,326**

Net fees and commission income	**2,460,203**	**2,229,822**

9. Other Income

Profit on disposal of asset	-	6,900
Total other income	**-**	**6,900**

10. Personnel expenses

Salaries	2,566,324	2,941,994
Contributions to defined benefit plans - Tier 1	218,170	195,687
Contributions to defined contribution plans - Tier 3	126,010	114,927
Other staff costs (bonus)	-	79,532
Medical expenses	23,586	18,367
Staff training	336,945	269,746
Long service awards	39,458	6,760
Housing Expenses	21,516	23,946
	3,332,009	**3,650,959**

11. Depreciation and amortisation

Depreciation of property & equipment	378,973	402,073
	378,973	**402,073**

	2018	2017
12. Other expenses	GH¢	GH¢
Directors fees	65,300	61,680
Software licensing and support	371,436	192,783
Auditors’ remuneration	25,000	25,000
Operating lease rentals	117,988	110,423
Electricity & water	341,989	438,557
Social responsibility	32,110	73,648
Other Administrative Expenses	3,511,194	2,769,365
	4,465,017	**3,671,456**

13. Income tax expense

Current Income Tax (a)	418,791	467,207
Deferred Income Tax (b)	10,637	(68,652)
	429,427	**398,555**

(a) Current income tax

Year of Assessment	Balance at 1/1/2018	Payments during the year	Charged to P&L	Balance at 31/12/2018
	GH¢	GH¢	GH¢	GH¢
2017	55,842	(287,368)	-	(231,526)
2018	-	(550,000)	418,791	(131,209)
	55,842	**(837,368)**	**418,791**	**(362,735)**

All Tax liabilities are subject to the agreement with the Ghana Revenue Authority. Income tax rate was 25% per the Income Tax Act, 2015 (Act 896). Taxes up to 2017 have been agreed with the Ghana Revenue Authority.

(b) Deferred income tax

	Assets	Liabilities	Net
2018	GH¢	GH¢	GH¢
Property and equipment	-	81,766	81,766
Impairment allowances for loan losses	(59,093)	-	(59,093)
Net Tax (Assets)/Liabilities	**(59,093)**	**81,766**	**22,673**

	Assets	Liabilities	Net
2017	GH¢	GH¢	GH¢
Property and Equipment	-	159,213	159,213
Impairment Allowances for Loan Losses	(147,177)		(147,177)
Net Tax (Assets)/Liabilities	**(147,177)**	**159,213**	**12,036**

Deferred income tax is calculated using the enacted income tax rate of 25%. Deferred income tax liability and deferred income tax charge in the statement of profit or loss and other comprehensive income are attributable to the following items;

	Balance at 1/1/2018	Recognised in p&l	Balance at 31/12/2018
2018	GH¢	GH¢	GH¢
Property and equipment	159,213	(77,447)	81,766
Impairment allowances for loan losses	(147,177)	88,084	(59,093)
Total	**12,036**	**10,637**	**22,673**

	Balance 1/1/2017	Recognised in p&l	Balance 31/12/2017
2017	GH¢	GH¢	GH¢
Property and Equipment	143,365	15,848	159,213
Impairment Allowances for Loan Losses	(62,677)	(84,500)	(147,177)
Total	**80,688**	**(68,652)**	**12,036**

	2018	2017
Reconciliation of effective tax rate	GH¢	GH¢
Profit before income tax	1,310,396	1,119,355
Income tax using the enacted corporation tax rate	327,599	279,839
Non-deductible expenses	203,840	257,632
Tax incentive not recognised in the income statement	(112,648)	(70,263)
Deferred tax	10,637	(68,652)
Total income tax expense in income statement	**429,427**	**398,556**
Effective tax rate	**32.77%**	**35.61%**

14. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December, 2018 was based on the profit attributable to ordinary shareholders of GH¢880,969 (2017: GH¢720,800) and number of ordinary shares of 61,234,487 (2017: 59,268,847) existing as at 31st October, calculated as follows:

	2018	2017
Profit attributable to ordinary shareholders	GH¢	GH¢
Net profit for the period attributable to equity holders of the Bank	880,969	720,800
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	59,268,847	52,259,347
Effect of share issued as at 31 December	1,965,640	7,009,500
Number of ordinary shares at 31 October	**61,234,487**	**59,268,847**

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2018 was based on the profit attributable to ordinary shareholders of GH¢880,969 (2017: GH¢ 720,800) and number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 61,234,487 (2017: 59,268,847) calculated as follows:

	2018	2017
Profit attributable to ordinary shareholders (diluted)	GH¢	GH¢
Profit for the period attributable to ordinary shareholders	880,969	720,800

Weighted average number of ordinary shares (diluted)		
Number of ordinary shares (basic)	59,268,847	52,259,347
Effect of share purchase after 31 December	1,965,640	7,009,500
Number of ordinary shares (diluted) at 31 December	**61,234,487**	**59,268,847**

15. Dividend per share

At the Annual General Meeting to be held in 2019, dividend in respect of the year ended 31 December 2018 of GH₵0.0033 (2017 – Nil) for every ordinary share of 61,234,487 (2017 - 59,268,847) is to be proposed.
This brings total dividend amounting to GH¢200,813 (2017 - Nil).
Payment of dividend is subject to withholding tax at the rate of 8% for the year.

	2018	2017
16. Cash and cash equivalents	GH¢	GH¢
Cash balance	2,611,514	1,915,371
Balances with other banks	50,000	502,201
Unrestricted balance with ARB Apex bank	2,857,603	2,181,385
Restricted balance with ARB Apex bank- 5% placement	2,022,193	1,665,005
	7,541,310	**6,263,962**

17. (a) Non-pledged trading assets

Fixed Deposits and Call Accounts:		
Gold Coast Fund Management	2,550,000	2,000,000
Ideal Finance Limited	3,400,000	2,600,000
Beige Capital Limited	2,000,000	2,000,000

	7,950,000	**6,600,000**

(b) Non-pledged trading assets		
National Trust Holding Company	4,200,000	3,700,000
SIC Life Savings & Loans	2,300,000	3,700,000
	6,500,000	**7,400,000**
Total	**14,450,000**	**14,000,000**

18. Pledged trading assets

Bank of Ghana Treasury Bills held by:		
ARB Apex bank	5,970,000	3,170,000
	5,970,000	**3,170,000**

The trading asset has been used as a security to contract an on-lending facility of GH¢2.0 million from ARB Apex Bank Limited.

	2018	2017
19. Loans and advances to customers	GH¢	GH¢
Loans and advances to customers at fair value through profit or loss	19,948,559	19,768,243
	19,948,559	19,768,243
Allowances for impairment	(1,637,880)	(1,482,359)
	18,310,679	**18,285,884**

Loans and advances to customers at amortised cost-		
Loans by business segment to customers:		
Agriculture	187,968	215,712
Cottage industries	-	149,336
Transport	147,937	-
Trading	6,031,747	5,472,100
Others	13,580,907	13,931,095
	19,948,559	**19,768,243**

Allowances for impairment	2018	2017
Individual allowances for impairment	GH¢	GH¢
Balance at 1 January	1,482,358	982,359
Written off/(Recovered)	(80,849)	(88,708)
Charge for the year	236,371	588,707
Balance at 31 December	**1,637,880**	**1,482,358**

Loans and advances to customers at fair value through profit or loss

At 31 December 2018 the maximum exposure to credit risk on loans and advances at fair value through profit or loss was GH¢1.67 million (2017: GH¢1.48 million). The bank has mitigated the credit risk exposure to these loans and advances through the establishment of credit risk reserve.

Loan statistics

i) Twenty (20) largest exposurse to total exposures	17.57%	11.35%
ii) Loan loss provision ratio	8.21%	7.50%

20. Operating leases

	2018	2017
Non-cancellable operating lease rentals are payable as follows:	GH¢	GH¢
Between one and five years	88,701	144,443
More than five years	506,297	405,755
	594,998	**550,198**

The bank leases a number of branch premises under operating leases. The leases typically run for a period of up to 18 years, with an option to renew the lease after that date. Lease payments are reviewed by landlords in consultation with management where necessary to reflect market rentals.

21. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets	Liabilities	Net
2018	GH¢	GH¢	GH¢
Property and equipment	-	81,766	81,766
Allowances for loan losses	(59,093)	-	(59,093)
Net tax assets (liabilities)	**(59,093)**	**81,766**	**22,673**
2017			
Property and equipment	-	159,213	159,213
Allowances for loan losses	(147,177)	-	(147,177)
Net tax assets (liabilities)	**(147,177)**	**159,213**	**12,036**

Deferred income tax is calculated using the enacted income tax rate of 25%. Deferred income liabilities and deferred income tax charge in the profit or loss are attributable to the following items:

Movements during the year	Opening Balance	Recognised in profit or loss	Closing Balance
2018	GH¢	GH¢	GH¢
Property and equipment	159,213	(77,447)	81,766
Allowances for loan losses	(147,177)	88,084	(59,093)
	12,036	**10,637**	**22,673**

Movements during the year	Opening Balance	Recognised in profit or loss	Closing Balance
2017	GH¢	GH¢	GH¢
Property and equipment	143,365	15,848	159,213
Allowances for loan losses	(62,677)	(84,500)	(147,177)
	80,688	**(68,652)**	**12,036**

22. Other assets	2018 GH¢	2017 GH¢
Office account	572,621	663,143
Prepayments	523,588	558,163

Accrued Interest on Loans	1,054,547	2,094,328
Accrued Interest on Investments	1,959,232	794,789
Stationery stocks	135,398	151,949
Inter branch account	304,476	48,821
WUMT operations	12,487	12,651
Government Intervention	250,055	357,236
Uncleared Effects	23,795	-
Renovations	550,876	401,624
	5,387,075	**5,082,704**

	2018	2017
23. Investment securities	GH¢	GH¢
Investment in ordinary shares of ARB Apex bank	82,538	82,538
Investment in ARB Apex revolving fund	20	20
	82,558	**82,558**

Investment securities have upon initial recognition been designated at fair value through equity, and therefore eliminates or reduces any accounting mismatch that would otherwise arise.

ASANTE AKYEM RURAL BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER, 2018

	2018	2017
25. Deposits from customers		
Retail customers:	GH¢	GH¢
Demand deposits	5,986,076	5,956,308
Savings deposits	19,900,316	22,584,053
Time deposits	4,821,860	4,574,135
Installment deposits- susu	12,243,078	3,534,766

	42,951,330	**36,649,262**
Deposit statistics		
i) Ten (10) largest depositors to total deposit ratio	8.62%	9.09%

	2018	2017
26. Other liabilities	GH¢	GH¢
Creditors and accruals	586,430	79,589
Bills Payable	243,527	144,435
Office account	661,015	803,023
Staff Provident Fund	15,929	133,826
Unearned interest on investments	410,824	1,215,930
Unearned interest on treasury bills	161,979	58,430
	2,079,704	**2,435,233**

	2018	2017
27. Institutional borrowings	GH¢	GH¢
ARB Apex Bank Limited	1,000,000	2,000,000
Other Institutional Lenders	270,308	287,777
	1,270,308	**2,287,777**

ARB Apex Bank Limited

This is a loan with a limit of GH¢2.0 million (2017: GH¢2.0 Million) contracted from ARB Apex Bank Limited for on-lending to customers. It is at an interest rate of 24.5% (2017: 24.5%). It is secured by the treasury bill investment wth ARB Apex Bank Limited.

	2018	2017
28. Capital Grant	GH¢	GH¢
Balance at Begin	97,693	97,693
Balance at End	**97,693**	**97,693**

This represents funds from UNDP to support Infrastructural activities

29. Stated capital

(a) Ordinary shares - 2018

	Number of Shares		Proceeds	
	2018	2017	2018	2017
Authorised:			GH¢	GH¢
Ordinary shares of no par value	625,000,000	625,000,000		
Issued and fully paid:				
For Cash - Ordinary Shares	59,268,847	52,259,347	1,229,934	516,484
Transfer from Income Surplus	-	6,884,500	-	700,000
For Cash	1,965,640	125,000	196,564	13,450
	61,234,487	**59,268,847**	**1,426,498**	**1,229,934**

There is no call or instalment unpaid on any share.

(b) Ordinary shares - 2017

	Number of Shares		Proceeds	
	2017	2016	2017	2016

Authorised:			GH¢	GH¢
Ordinary shares of no par value	625,000,000	625,000,000		
Issued and fully paid:				
For Cash - Ordinary Shares	52,259,347	52,134,347	516,484	442,844
Transfer from Income Surplus	6,884,500	-	700,000	-
For Cash	125,000	125,000	13,450	73,640
	59,268,847	**52,259,347**	**1,229,934**	**516,484**

Shares in treasury

There is no share in treasury and no call or instalment unpaid on any share.

Income surplus

This represents the residual of cumulative annual profits that are available for distribution to shareholders.

Statement of changes in issued number of shares	Ordinary Shares 2018	Ordinary Shares 2017
On issue at 1 January	59,268,847	52,259,347
Number of shares issued during the year	1,965,640	7,009,500
On issue at 31 December	61,234,487	59,268,847

At 31 December 2018 the authorised issued share capital comprised 61,234,487 ordinary shares (2017: 59,268,847). The shares are of no par value. All issued shares are fully paid.

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

Dividend

The following dividends were paid by the bank for the year ended 31 December:

	2018 GH¢	2017 GH¢
On ordinary shares paid in 2018	77,036	-
On ordinary shares paid in 2017	-	128,899
	77,036	**128,899**

After 31 December 2018 dividend of GH¢0.0033 per ordinary share (2017: Nil) was proposed by the directors. The dividends have not been provided for in the p&l or the statement of financial position and there are no income tax consequence.

30. Revaluation reserve	2018 GH¢	2017 GH¢
Balance at begin	39,404	39,404
Increase during the year	-	-
Balance at end	**39,404**	**39,404**

This represents increase in share value with ARB Apex Bank Limited

31. Statutory reserve	2018 GH¢	2017 GH¢

Balance at Begin	1,094,719	1,004,619
Transfer from Income Surplus	220,242	90,100
Balance at End	**1,314,961**	**1,094,719**

This is a non-distributable reserve. The transfer to Statutory Reserve Fund represents 25% (2017 : 12.5%) of the net profit after tax and before dividend for the year. The transfer is in compliance with section 34 of the Banks and Specialised Deposit - Taking Institutions Act, 2016.

	2018	2017
32. Credit risk reserve	GH¢	GH¢
Additions	181,769	-
Balance at end	**181,769**	**-**

The bank will continue to comply with the IFRS impairment rules which took effect from 1 January,2018. However where the IFRS impairment rules result in a lower provision than would be the case if the BOG's prudential norms were applied, the difference should be charged to Income Surplus and credited to a Credit Risk Reserve and in case the opposite happens subsequently a reversal should be made to the extent of the credit balance in the Credit Risk Reserve. The Credit Risk Reserve so created is not available for distribution as dividend but included in the adjusted capital base for purposes of the Capital Adequacy Ratio (CAR) computation.

33. Contingent liabilities and commitments

Off balance sheet contingencies and commitments

In the ordinary course of business, the bank did not conduct business involving guarantees, acceptances and performance bonds.

Nature of contingent liabilities

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

An acceptance is an undertaking by the bank to pay a bill of exchange drawn on the customer.

Legal proceedings

There is no pending law suit against the bank currently which could result in any loss or contingent liability.

34. Related parties

Transactions with directors

Transactions in the normal course of business with directors who are hereby referred to as related party. The outstanding loan balances and deposits for the year are as follows:

	2018	2017
	GH¢	GH¢
	Closing balance	Closing balance
Loans and advances to directors	35,502	110,468
Related party income		
Income earned on directors loans	-	6,250

Maximum interest rate charged on directors loans is 10% per annum as against 27% rate that would have been charged in an arm's length transaction. The loans granted are secured over property and fixed deposit of the respective directors. No impairment loss has been recorded against balances outstanding during the period with directors. Interest on fixed deposits are the same as applied to other customers of the bank.
All transactions other than with related parties are priced in an arm's length basis and was entered into in the normal course of business.

35. Country analysis

All assets and liabilities of the bank are held in Ghana.

36. Comparative figures

Where necessary, figures within notes have been restated to either conform to changes in presentation in the current year or for the adoption of new IFRS requirement.

37. Adoption of new and revised standard

At the date of authorisation of these financial statements, the following standard and interpretation have not been applied in these financial statements, but will have an impact on future financial statements when it becomes effective in 2019.

IFRS 9 Financial Instruments

IFRS 16 Leases

The adoption of IFRS 16 leases, which the bank will adopt for the year commencing 1 January 2019, will impact both the measurement and disclosures of leases.

38. Value added statements

Value added statements for the year ended 31 December	2018	2017
	GH¢	GH¢
Interest earned and other operating income	12,388,553	11,034,593
Direct cost of services	(7,065,503)	(5,218,719)
Value added by banking services	5,323,050	5,815,874
Non-banking Income	-	6,900
Impairments	(236,371)	(588,707)
Value Added	**5,086,678**	**5,234,067**
Distributed as follows:		
To Employees:-		
Directors (non-executives)	(65,300)	(61,680)
Other employees	(3,332,009)	(3,650,959)
To Government:		
Income tax	(429,427)	(398,555)
To providers of capital:-		
Dividends to shareholders	(200,813)	-
To expansion and growth		
Depreciation	(378,973)	(402,073)
Income Surplus	**680,156**	**720,800**

SHAREHOLDERS' INFORMATION
YEAR ENDED 31 DECEMBER, 2018

Analysis of shareholdings as at 31 December, 2018

Number of shareholders

The bank had 2,449 individual ordinary shareholders at 31 December, 2018 distributed as follows:

Category	Number of Shareholders	Number of Shares	Percentage Holding (%)
1-1,000	454	179,117	0.29%
1,001-5,000	664	1,785,281	2.92%
5,001-10,000	453	3,162,128	5.16%
Over 10,000	878	56,107,961	91.63%
Total	**2,449**	**61,234,487**	**100.00%**

Directors' shareholding Name of Director	Number of Shares	Percentage Holding (%)
Kwaku Nti Obeng (Agogoman Mma Kuo)	6,208,375	10.14%
Amakye Yaw Phillip (Dr.)	1,352,374	2.21%
Osei Darkwa (Dr.)	118,086	0.19%
Appiadu Bright Francis	99,230	0.16%
BosiakoEmmanuel Antwi	20,957	0.03%
Total	**7,799,022**	**12.74%**

Twenty (20) largest shareholders Name of shareholder	Number of Shares	Percentage Holding (%)
1. Agogoman Mma Kuo	6,208,375	10.14%
2. Yeboah Adu Emmanuel	4,008,508	6.55%
3. Opuni Sekyere Francis	3,627,070	5.92%
4. Ntiamoah Isaac	2,659,194	4.34%
5. Ampomah Owusu Kwasi	1,543,382	2.52%
6. Henry Atta-Owusu Serbeh	1,500,000	2.45%
7. Amakye Yaw Phillip (Dr.)	1,352,374	2.21%
8. Asante Akyem - Various shareholders	1,103,858	1.80%
9. Frimpong Amofa Kingsley	1,092,728	1.78%
10. Mohammed Seidu	834,621	1.36%
11. Opoku Oppong Kwadwo	778,775	1.27%
12. Boahene K. A.	750,297	1.23%
13. Anane Osei	743,695	1.21%
14. Mr. & Mrs Dua Agyemang	729,102	1.19%
15. Ackom Manu Joseph	620,565	1.01%
16. Pristaisha Enterprise	603,142	0.98%
17. Erasmus Amoako Asare	589,814	0.96%
18. Acka Emilia	534,112	0.87%
19. Baah Wiredu Kwadwo	484,234	0.79%
20. Lamptey Rex	475,432	0.78%
Reported Totals	30,239,278	49.38%
Unreported Totals	30,995,209	50.62%
Total	**61,234,487**	**100.00%**

ASANTE AKYEM RURAL BANK LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER, 2018

	Stated Capital	Income Surplus	Statutory Reserve Fund	Revaluation Reserve	Capital Grant	Credit Risk Reserve	Total Equity
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
2018							
Balance as at 1 January 2018	**1,229,934**	**4,362,435**	**1,094,719**	**39,404**	**97,693**	**-**	**6,824,186**
Total Comprehensive Income							
Net Profit for the Year	-	880,969	-	-	-	-	880,969
Total Comprehensive Income	**-**	**880,969**	**-**	**-**	**-**	**-**	**880,969**
Transactions with Equity Holders							
Issue of Shares	196,564	-	-	-	-	-	196,564
Dividend Paid	-	(77,036)	-	-	-	-	(77,036)
Other Payments - Previous year's Taxes	-	(306,913)	-	-	-	-	(306,913)
Total Transactions with Equity Holders	**196,564**	**(383,949)**	**-**	**-**	**-**	**-**	**(187,385)**
Regulatory Transfers							
Transfer to Statutory Reserve Fund	-	(220,242)	220,242	-	-	-	-
Transfer to Credit Reserve Fund	-	(181,769)	-	-	-	181,769	-
Total Regulatory Transfers	**-**	**(402,011)**	**220,242**	**-**	**-**	**181,769**	**-**
Balance as at 31 December 2018	**1,426,498**	**4,457,444**	**1,314,961**	**39,404**	**97,693**	**181,769**	**7,517,769**

The notes are an integral part of these financial statements.

ASANTE AKYEM RURAL BANK LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER, 2018

	Stated Capital	Income Surplus	Statutory Reserve Fund	Revaluation Reserve	Capital Grant	Total Equity
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
2017						
Balance as at 1 January 2017	**516,484**	**4,873,383**	**1,004,619**	**39,404**	**97,693**	**6,531,583**
Total Comprehensive Income						
Net Profit for the Year	-	720,800	-	-	-	720,800
Total Comprehensive Income	**-**	**720,800**	**-**	**-**	**-**	**720,800**
Transactions with Equity Holders						
Issue of Shares	13,450	-	-	-	-	13,450
Transfer to Stated Capital	700,000	(700,000)				-
Dividend Paid	-	(128,899)	-	-	-	(128,899)
Other Payments - Previous year's Taxes	-	(312,749)	-	-		(312,749)
Total Transactions with Equity Holders	**713,450**	**(1,141,648)**	**-**	**-**	**-**	**(428,198)**
Regulatory Transfers						
Transfer to Statutory Reserve Fund	-	(90,100)	90,100	-	-	-
Total Regulatory Transfers	**-**	**(90,100)**	**90,100**	**-**	**-**	**-**
Balance as at 31 December 2017	**1,229,934**	**4,362,435**	**1,094,719**	**39,404**	**97,693**	**6,824,185**

The notes are an integral part of these financial statements.

ASANTE AKYEM RURAL BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER, 2018

24(a) Property, plant and equipment - 2018

	Land	Office Building	Plant & Machinery	Motor Vehicles	Office Furniture & Equipment	Computers & Accessories	Total
COST	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Balance at 01/01/2018	105,300	833,648	177,953	795,422	934,067	957,101	3,803,492
Write-off	-	-	(138,264)	(616,805)	(699,099)	(698,208)	(2,152,376)
Additions	30,000	-	21,299	278,558	207,773	199,548	737,177
Balance at 31/12/2018	135,300	833,648	60,988	457,175	442,741	458,441	2,388,294
DEPRECIATION							
Balance at 01/01/2018	-	271,885	138,265	616,806	699,100	698,208	2,424,264
Write-off	-	-	(138,264)	(616,805)	(699,099)	(698,208)	(2,152,377)
Charge for the year	-	30,159	17,321	132,943	113,878	84,672	378,973
Balance at 31/12/2018	-	302,044	17,322	132,943	113,879	84,672	650,861
CARRYING AMOUNT - 31/12/2018	**135,300**	**531,604**	**43,666**	**324,231**	**328,862**	**373,768**	**1,737,433**
CARRYING AMOUNT - 31/12/2017	105,300	561,763	39,688	178,616	234,967	258,893	1,379,228

ASANTE AKYEM RURAL BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER, 2018

24(b) Property, plant and equipment - 2017

	Land	Office Building	Plant & Machinery	Motor Vehicles	Office Furniture & Equipment	Computers & Accessories	Total
COST	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Balance at 01/01/2017	105,300	810,779	155,758	787,684	827,378	804,531	3,491,430
Disposal	-	-	-	(49,387)	-	-	(49,387)
Additions	-	22,869	22,195	57,125	106,689	152,570	361,448
Balance at 31/12/2017	105,300	833,648	177,953	795,422	934,067	957,101	3,803,491
DEPRECIATION							
Balance at 01/01/2017	-	251,745	119,050	509,967	581,291	609,526	2,071,579
Disposal	-	-	-	(49,387)	-	-	(49,387)
Charge for the year	-	20,140	19,215	156,226	117,809	88,682	402,072
Balance at 31/12/2017	-	271,885	138,265	616,806	699,100	698,208	2,424,264
CARRYING AMOUNT - 31/12/2017	**105,300**	**561,763**	**39,688**	**178,616**	**234,967**	**258,893**	**1,379,227**
CARRYING AMOUNT - 31/12/2016	105,300	559,034	36,708	277,717	246,087	195,005	1,419,851

25(c) PROFIT ON DISPOSAL - 2017

	GH¢
Cost	**49,387**
Less: Accumulated Depreciation	**(49,387)**
	-
Less :Proceeds from Disposal	**(6,900)**

Profit on Disposal	**(6,900)**