SUMA
RURAL BANK LIMITED

ANNUAL REPORT
&
FINANCIAL STATEMENTS
2022

Gyabaah & Partners
Post Office Box 985
Sunyani
Bono Region

CONTENT

CORPORATE INFORMATION

BOARD OF DIRECTORS	AFRAM KWASI SANAA BEDIATUO NYARKO-DABIE MOSES KOFI SOGA WILLIAM ABAYATEYE LINDA NYARKO-YEBOAH ASUM-KWARTENG AHENSAH GEORGE ADJEI HENNEH
C E O	KOFI ACHEAMPONG
AUDITORS	GYABAAH & PARTNERS POST OFFICE BOX 985 SUNYANI BONO REGION
REGISTERED OFFICE	POST OFFICE BOX 13 SUMA AHENKRO BONO REGION
BANKERS	ARB APEX BANK
SOLICITORS	ERIC ANSAH ANKOMAH

KEY MANAGEMENT STAFF

NAME	QUALIFICATION	POSITION
Kofi Acheampong	Msc Industrial Finance & Investment	CEO
Kumah Joseph	BCom	Operations Manager
Dennis Amankona	MBA (Fin), BA Social Science	Head of Credit
Richard Ababio	Bcom	Deputy Operation Manager
Benjamin Ayisi Osei	Bachelor of Science	Head of IT
Mark Asante	BCom (Accounting), MBA	Head of Internal Audit
Rosemond Awusi	MBA	Head of Human Resource
Jonas Oppong	MBA (Fin), BA (Econs)	Head of Compliance
Twene Yaw Francis	BSc Management	Estate & Treasury Manager

PROFILE OF DIRECTORS

NAME	YEAR OF APPOINTMENT	QUALIFICATION
Afram Kwasi	2018	MBA (Acc & Fin), FCCA, Degree in Social
Sanaa Bediatuo Nyarko-Dabie	2014	MBA, CIM-UK, CIMG
Moses Kofi Soga	2016	BEd
William Abayateye	2018	Dip in Theology
Linda Nyarko-Yeboah	2021	Degree in Political Science
Asum-Kwarteng Ahensah	2021	Msc (Dev't Planning & Mgt), Bsc Dev't Planning
George Adjei Henneh	2021	PhD Educ., MA (Educ.)

FINANCIAL HIGHLIGHTS

	2022 GH¢	2021 GH¢
The Bank recorded a Profit/(Loss) Before Taxation of:	474,193	285,214
From which is deducted/added tax of:	(188,178)	25,540
Giving a Net Profit After Tax of:	286,015	310,754
Transfer to Statutory Reserve of:	(71,504)	-
Leaving a Profit to be transferred to Retained Earnings of	214,511	310,754
Retained Earnings at Start of	149,973	(18,174)
Prior Year Adjustments	(355,871)	-
Retained Earnings at End of	**8,613**	**292,580**

REPORT OF THE DIRECTORS TO THE MEMBERS OF SUMA RURAL BANK LIMITED

Report of the Directors
The Directors in submitting to the shareholders the financial statements of the Bank for the year ended 31 December 2022 report, as follows:

Directors' Responsibility Statement
The Bank's Directors are responsible for the preparation of financial statements that give a true and fair view of Suma Rural Bank Limited, comprising the statement of financial position at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRSs), and in the manner required by the Companies Act, 2019 (Act 992), and Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). In addition, the Directors are responsible for the preparation of the Directors' report.

The Directors are also responsible for planning, implementing and maintaining internal controls, such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern.
The Auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Business Review
The financial results of the Bank for the year ended 31 December 2022 are set out in the attached financial statements, highlights of which are as follows:

	2022	**2021**
	GH¢	**GH¢**
Profit/(Loss) Before Tax	474,193	285,214
Profit/(Loss) After Tax	286,015	310,754
Total Assets	36,607,899	28,454,915
Total Liabilities	34,534,406	26,336,461
Total Equity	2,073,493	2,118,454

As indicated above, in accordance with Section 34 (1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), an amount of GH¢68,703 was transferred to the statutory reserve fund from profit for the year, bringing the cumulative balance on the statutory reserve fund to GH¢804,402 at the year end.

The Directors consider the state of the Bank's affairs to be good.

Dividends
The Directors do not recommend payment of dividend during the year as per the directives from Bank of Ghana (2021: Nil).

Particulars of entries in the Interest Register during the Financial Year
No Director had any interest in contract and proposed contracts with the Bank during the year under review, hence there were no entries recorded in the Interest Register as required by 194 (6), 195 (1)(a) and 196 of the Companies Act 2019, (Act 992).

Capacity Building of Directors to discharge their duties
On appointment to the Board, Directors are provided with full, formal and tailored programmes of induction, to enable them gain in-depth knowledge about the Bank's business, the risks and challenges faced, the economic knowledge and the legal and regulatory environment in which the Bank operates. Programmes of strategic and other reviews, together with the other training programmes provided during the year, ensure that Directors continually updated their skills, knowledge and familiarity with the Bank's businesses. This further provides insights about the industry and other developments to enable them effectively fulfil their role on the Board and committees of the Board.

Nature of Business
The principal activities carried out by the Bank include the provision of micro finance facilities in the form of loans to the general public, with the emphasis on lending to those in society with limited incomes who would not ordinarily qualify for a loan from a traditional commercial bank. The Bank also accepts deposits of various types including current accounts, savings accounts and enters into contracts for fixed deposits.
The Bank is licensed to operate the business of a Rural and Community Banking.
There was no change in the nature of the Bank's business during the year.

Majority Shareholder
There is no single majority shareholder, as no individual holds more than 30% of the Bank issued shares.

Going Concern
The Bank's business activities together with the factors likely to affect its future development and performance are summarized in this Financial Report. This Financial Report describes the financial position of the Bank and its cash flows and liquidity position. The Bank is continually in discussion with its financiers (Shareholders) about their support and no matters have been drawn to its attention to suggest that continuous financial support may not be forthcoming on acceptable terms.

The Bank's forecasts and projections, taking account of reasonably possible changes in economics performance, show that the Bank should be able to operate within the level of its current financial resources. The Directors have a reasonable belief that the Bank has adequate resources to continue in operational existence for the foreseeable future and the financial statements continue to be prepared on the going concern basis.

Disclosure of Information to Auditor

In the case of the person who is a Director of the Bank at the date when this report was approved:

- So far as the Directors are aware, there is no relevant audit information as defined in the Companies Act of which the Bank's auditors are unaware; and
- The Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information (as defined) and to establish that the Banks's auditors are aware of that information.

Auditor

The Auditor, Gyabaah and Partners will continue in office in accordance with Section 139 (5) of the Companies Act, 2019 (Act 992) and section 81 of the Banks and Specialised Deposit-Taking Institution Act 2016 (Act 930).

Approval of the Financial Statements

The financial statements of the Bank were approved by the board of Directors on ……………………. and were signed on their behalf by:

…………………………………	…………………………………
CHAIRMAN	**SECRETARY**

GYABAAH & PARTNERS
(CHARTERED ACCOUNTANTS & CONSULTANTS)

HEAD OFFICE:
P. O. Box 985
Sunyani-Bono Region

TELEPHONE NO.:
055-9771983 / 020-8264242
WHATSAPP: 056-1453516
E-mail: gyabaah_partners2@yahoo.com

LOCATION:
House No. BK 12
Boahen Korkor
Chiraa Road, Syi.

BANKERS:
National Investment Bank
Sunyani Branch

INDEPENDENT AUDITOR'S REPORT

TO MEMBERS OF SUMA RURAL BANK LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022

Opinion

We have audited the financial statements of **SUMA Rural Bank Limited set out on pages 12 to 16**, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of **SUMA Rural Bank Limited** as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in manner required by the Companies Act, 2019 (Act 992) and the Bank and Specialised Deposit-Taking Institution Act, 2016 (Act 930).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report in accordance with the Companies Act 2019 (Act 992). We are independent of the Bank in accordance with the International Ethics Standard for Accountants' International Code of Ethics for Professional Accountants (IFAC Code) (Including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Ghana and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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.
In this regard, we have nothing to report.

TARKWA:
P. O. Box 19,Nsuta,Tarkwa,
Western Region Ghana-W/A

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors as required by the Companies Act, 2019 (Act 992), Corporate Information, Report of the Audit Committee and Credit Committee which we obtained prior to the date of this Auditor's Report date. The Chairperson's Statement which is expected to be made available to us after that date, but does not include the financial statements and our auditor's 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 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, we conclude that there is a material misstatement of this other information; 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 and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2019 (Act 992) and the Bank and Specilised Deposit-Taking Institutions Act, 2016 (Act 930), and for such internal control as Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities 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 misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsible to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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 omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 Company 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 a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirement

Compliance with the requirement of Section 137 of the Companies Act, 2019 (Act 992) and Section 85 of the Banks and Specilised Deposit-Taking Institutions Act, 2016 (Act 930)

- We have obtained all the information and explanations which to the best of our knowledge and belief are necessary for the purpose of our audit.
- In our opinion proper books of accounts have been kept by the Bank so far as appears from our examination of those books, and
- The Financial Position, Statements of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows are in agreement with the accounting records and returns.

We are independent of the Bank under pursuant to Section 143 of the Companies Act, 2019 (Act 992), the Bank's transactions were within its powers and the Bank generally complied with the relevant provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The Bank has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749) and all relevant Amendment and regulations until it was replaced with the Anti-Money Laundering Act, 2020 (Act 1044) issued on 29 December 2020. The Bank has also generally complied with the relevant provisions of the Anti-Terrorism Act 2008, (Act 762) and all the relevant Amendment and Regulations governing the Acts.

The engagement partner on the audit resulting in the independent auditors' report is **John C Gyabaah (ICAG/P/1002).**

GYABAAH & PARTNERS
(CHARTERED ACCOUNTANTS

……………………………………………..

Gyabaah & Partners
Chartered Accountants

ICAG/F/2023/008

John C Gyabaah
ICAG/P/1002

Date April 2023

SUMA RURAL BANK LIMITED
Statement Profit or Loss and Other Comprehensive Income
Year Ended 31st December, 2022

	Notes	2022 GH¢	2021 GH¢
Interest Income	9	5,984,974	4,340,175
Interest Expense	10	(963,038)	(799,795)
Net Interest Income		**5,021,936**	**3,540,380**
Fees and Commission Income	11	881,277	736,068
Fees and Commission Expenses	11	(295,280)	(249,936)
Net Fees and Commission Income		**585,997**	**486,132**
Revenue		**5,607,933**	**4,026,512**
Other Operating Income	12	554,215	763,274
Total Operating Income		**6,162,148**	**4,789,786**
Impairment loss on Financial Assets	18	328,171	63,757
Personnel Expenses	14	2,275,206	1,944,444
Depreciation and Amortisation	15	228,497	252,137
Other Operating Expenses	16	2,876,249	2,244,234
Total Operating Expenses		**5,708,123**	**4,504,572**
Profit/(Loss) before tax		**454,025**	**285,214**
Tax (Expenses)/Credit on ordinary activities	25	(179,212)	25,540
Profit/(Loss) after tax attributable to Equity holders		**274,813**	**310,754**
Other Comprehensive Income			
Movement in Fair Value in Equity Investment (FVOCI)	17	-	-
Related Tax		-	-
		-	**-**
Total Comprehensive Income		**274,813**	**310,754**
Basic Earnings Per Share	29	**0.10**	**0.12**

SUMA RURAL BANK LIMITED
Statement of Financial Position
as at 31st December, 2022

	Notes	2022 GH¢	2021 GH¢
Assets:			
Cash and Cash Equivalents	19	4,174,134	4,649,889
Investment Securities at Amortised Cost	17	16,308,121	7,390,000
Loans and Advances to Customers	18	9,538,383	9,357,716
Current Taxation	25	-	71,875
Other Assets	20	1,541,229	1,651,325
		31,561,867	**23,120,805**
Property, Plant and Equipment	34	1,395,786	1,649,933
Right of Use Assets	13	39,531	51,091
Intangible Assets	30	179,782	202,153
Investment Securities at FVOCI	17	3,430,933	3,430,933
Total Assets		**36,607,899**	**28,454,915**
Liabilities			
Deposits and current accounts	21	31,977,324	25,621,266
Provisions	24	66,683	23,121
Current Taxation	25	22,961	-
Other Liabilities	23	1,317,416	655,850
		33,384,384	**26,300,237**
Long Term Liabilities			
Borrowings	22	1,125,000	-
Deferred Tax Liability	25	36,224	36,224
		1,161,224	**36,224**
Total Liabilities		**34,545,608**	**26,336,461**
Shareholders Funds			
Equity Share Capital	26	800,000	800,000
Deposit for Shares	26	457,664	432,769
Preference Share Capital	26	13	13
Total Stated Capital		**1,257,677**	**1,232,782**
Statutory Reserve Fund	27	804,402	735,699
Retained Earnings	28	212	149,973
Total Shareholders Fund		**2,062,291**	**2,118,454**
Total Liabilities and Shareholders Funds		**36,607,899**	**28,454,915**

The financial statements of the Bank were approved by the board of Directors on April 2023 and were signed on their behalf by:

....

CHAIRMAN **SECRETARY**

SUMA RURAL BANK LIMITED

Statements of Changes in Shareholder Equity

Year Ended 31st December 2022

	Stated Capital	**Deposit for Shares**	**Statutory Reserve Fund**	**Retained Earnings**	**Total**
2022	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Balance as at Start	800,000	432,769	735,699	149,973	2,118,441
Prior Year Adjustment	-	-		(355,871)	(355,871)
Total Comprehensive Income					-
Profit for the year				274,813	274,813
Other Comprehensive Income (Net of Tax)	-	-	-	-	-
	800,000	**432,769**	**735,699**	**68,915**	**2,037,383**
Transfers (to)/from Reserves					
Transfer to Statutory Reserve			68,703	(68,703)	-
Transfer to Other Reserves	-	-	-	-	-
Net Transfers Reserves	**-**	**-**	**68,703**	**(68,703)**	**-**
Transactions with Owners					
Dividend				-	-
Shares Issued	-	24,895	-	-	24,895
Total Transaction with Owners	**-**	**24,895**	**-**	**-**	**24,895**
Balance as End	**800,000**	**457,664**	**804,402**	**212**	**2,062,278**

Deposit for shares represents shares issued but yet to be registered

SUMA RURAL BANK LIMITED

Statements of Changes in Shareholder Equity
Year Ended 31st December 2021

2021	**Stated Capital** GH¢	**Deposit for Shares** GH¢	**Statutory Reserve Fund** GH¢	**Retained Earnings** GH¢	**Total** GH¢
Balance as at Start	1,166,729	25,387	593,092	(18,174)	1,767,034
Prior Year Adjustment	(366,729)	366,729		-	-
Total Comprehensive Income					-
Profit for the year				310,754	310,754
Other Comprehensive Income (Net of Tax)	-	-	-	-	-
	800,000	**392,116**	**593,092**	**292,580**	**2,077,788**
Transfers (to)/from Reserves					
Transfer to Statutory Reserve			142,607	(142,607)	-
Transfer to Other Reserves	-	-	-	-	-
Net Transfers Reserves	**-**	**-**	**142,607**	**(142,607)**	**-**
Transactions with Owners					
Dividend				-	-
Shares Issued	-	40,653	-	-	40,653
Total Transaction with Owners	**-**	**40,653**	**-**	**-**	**40,653**
Balance as End	**800,000**	**432,769**	**735,699**	**149,973**	**2,118,441**

Deposit for shares represents shares issued but yet to be registered

SUMA RURAL BANK LIMITED
Statement of Cash Flows
Year Ended 31st December, 2022

	Note	2022 GH¢	2021 GH¢
Operating Activities			
Profit/(Loss) before tax		454,025	285,214
Adjusted for:			
Depreciation Charges & Amortisation	15	228,497	252,137
Non Cash Transactions		(190,613)	105,214
Operating Profit before working capital changes		**491,909**	**642,565**
Increase/ Decrease in Loans and Advances	18	(180,667)	(2,078,099)
Increase / Decrease in Other Assets	20	110,096	(53,150)
Increase/Decrease in Deposits	21	6,356,058	3,055,444
Increase/ Decrease in Other Liabilities	23	661,566	(193,573)
Increase/Decrease in Provisions	24	43,562	(261)
Increase/ Decrease in Borrowing	22	1,125,000	(466,656)
Cash Generated/used in Operations		**8,607,524**	**906,270**
Tax paid	33	(75,000)	(92,000)
Net Cash Flow from Operating Activities		**8,532,524**	**814,270**
Investing Activities			
(Increase)/Decrease in Investments - Short Term	17	(8,918,121)	3,820,000
(Increase)/Decrease in Investments - Long Term	17	-	(3,307,260)
Payment of Right of Use of Assets	13	-	(60,000)
Payment for Intangible Assets	30	-	(224,615)
Purchase of Property, Plant & Equipment	34	(115,053)	(81,734)
Net Cash Flow from Investing activities		**(9,033,174)**	**146,391**
Financing Activities			
Ordinary Shares Issue	26	24,895	40,653
Net Cash Flow from Financing acitivities		24,895	40,653
Net Increase in Cash & Cash Equivalents		**(475,755)**	**1,001,314**
Cash and Cash Equivalents as at Start		4,649,889	3,648,575
Cash and Cash Equivalents as at End	19	**4,174,134**	**4,649,889**
Analysis of Cash & Cash Equivalents			
As at 31st December 2022			
Cash on Hand		2,234,623	2,052,070
Claims on Other Banks		3,890	5,970
Other - ACOD 7		400,000	1,200,000
Current Accounts - ARB Apex Bank Ltd		248,384	149,915
5% Apex Reserves/Deposit		1,287,237	1,241,934
		4,174,134	**4,649,889**
Note			
Non Cash Transactions			
Right of Use Reclassification		(37,851)	-
Tax Prepaid Adjustment		(9,376)	105,214
Changes in Equity Adjustment		(143,386)	-
		(190,613)	**105,214**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Suma Rural Bank Limited (the Bank) is a limited liability company incorporated and domiciled in Ghana. The address of the Bank's registered office is Post Office Box 13, Suma Ahenkro, Bono Region, Ghana. The financial statements of the Bank as at, and for the year ended 31 December 2022 are as stated in this report. The principal activities carried out by the Bank include the provision of micro finance facilities in the form of loans to the general public. The Bank also accepts deposits of various types including current accounts, savings accounts and enters into contracts for fixed deposits.

For Companies Act, 2019 (Act 992) reporting purposes, the balance sheet is represented by the statement of financial position and the profit or loss account by part of the statement of profit or loss and other comprehensive income in these financial statements.

2. BASIS OF ACCOUNTING

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specilised Deposit-Taking Institutions Act, 2016 (Act 930). There were no changes to significant accounting policies as described in Notes.

b. Functional and Presentation Currency

These financial statements are presented in Ghana Cedi, which is the Bank's functional currency. All amounts have been rounded to the nearest one Ghana Cedi, except when otherwise stated.

c. Basis of Measurement

The financial statements have been prepared on a historical cost basis except financial instruments at fair value through other comprehensive income (FVOCI).

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented.

Details of the Bank's accounting policies are included in Note 3

d. Use of Judgements and Estimates

The Preparation of financial statements, in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

i. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the notes

1. Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are Solely Payments of Principal and Interests (SPPI) on the principal amount outstanding.
2. Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of Expected Credit Loss (ECL) and selection and approval of models used to measure ECL.

ii. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2022 are set out below in relation to the impairment of financial assets and in the following notes:

Impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

a. Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

a. Bank acting as a lessee

The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lease, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

b. Initial Recognition and Measurement

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of branches and office premises, the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at commencement date. The right-of-use asset is initially measured at cost, comprising the initial amount of lease liability adjusted for any lease payment made at or prior to commencement date, plus any initial direct cost plus estimate of the cost to dismantle and remove any improvement made to branches or office premise less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by obtaining interest rate from various external financial sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed repayment, including in-substance fixed payments
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

c. Subsequent Measurement

The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the end of the lease term unless the initial recognition considers the exercise of a purchase option or the lease transfers the ownership of the underlying to the Bank by the end of the lease term. In which case, right of use asset is amortised over the useful life of the underlying asst.

Additionally, right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in the original assessment of the lease term, a change in the estimate of residual guarantee or a change in index or rate effecting payments or a change in the fixed lease payment. When the lease liability is re-measured in this way the carrying amount of the right of use asset is adjusted by the same amount or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank determines its incremental borrowing rate by analysing its borrowing from various external sources with relevant adjustments to reflect the terms of the lease.

The Bank presents right-of-use assets that do not meet the definition of investment property in “Property and equipment”

Short term lease and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for low-value assets and short-term leases, including IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

b. Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income (OCI).

Current tax is the expected tax payable or receivable on taxable income or loss for the year, measured using tax rates enacted or substantively enacted at the balance sheet date. Current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of 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.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences 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 adjusted to the extent that it is no longer probable that the related tax benefit will be realised.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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.

In determining the amount of current and deferred tax, the Bank considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

c. Financial assets and financial liabilities

Recognition and measurement

The Bank initially recognises *cash and cash equivalents, loans and advances, investment securities, other assets, deposits and debt securities* on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

Classification

Financial Assets

On initial recognition, a financial asset is classified as measured at amortised cost, Fair value through other comprehensive income (FVOCI) or Fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

1. the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
2. the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payment of Principal and Interest (SPPI).
3. A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:
4. the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
5. the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.
6. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- How managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest on principal.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to propose a revision of the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The right to reset the rates of the loans based on the revision in market rates is part of the contractually agreed terms on inception of the loan agreement; therefore, the borrowers are obligated to comply with the reset rates without any option of repayment of the loans at par at any reset date. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies with the interest rate in a way that is considered a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassification
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

Classification and subsequent measurement
Financial Assets – Subsequent measurement and gains and losses

a) Amortised cost
Financial assets at amortised cost comprises cash and cash equivalents, investment securities at amortised cost, loans and advances to customers, and other assets. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

Interest income is determined using the effective interest method, foreign exchange gains and losses and impairment are reported in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

b) Fair value through other comprehensive income
Equity instruments
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gain and losses are recognised in OCL and are never reclassified to profit or loss.

Financial Liabilities - *Classification and subsequent measurement*

Deposits are the Bank's source of debt funding.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and-repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

Financial liabilities comprising deposit from customers and other liabilities are subsequently measured at their amortised cost using the effective interest method.

i. Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

From 1 January 2020 any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

ii. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset were modified, then the Bank evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset was derecognised and a new financial asset was recognised at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre- modification interest rate.

Financial liabilities

The Bank derecognised a financial liability when its terms were modified and the cash flows of the modified liability were substantially different. In this case, a new financial liability based on the modified terms was recognised at fair value. The difference between the carrying amount of the financial liability extinguished and consideration paid was recognised in profit or loss. Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability was not accounted for as derecognition, then any costs and fees incurred were recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.
If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re- computing the effective interest rate on the instrument.

iii. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them 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 under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank’s trading activity.

iv. Fair value measurement

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

v. impairment of financial assets

At each reporting date, the Bank assesses whether there is objective evidence that its financial assets are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Bank considers evidence of impairment for loans and advances to customers and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to- maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances to customers and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances to customers and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. 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 measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value.

The impairment loss before an expected restructuring is measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

The Bank writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Bank's Board of Directors determines that there is no realistic prospect of recovery and approval for write-off is granted by the Central Bank.

The Bank recognises loss allowances for ECL on financial assets that are debt instruments that are not measured at FVTPL. No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured at 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments. Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 30 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of comprehensive income. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

d. Interest Income and Expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, including prepayment options, but does not consider future credit losses. The calculation includes all fees that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of comprehensive income consist of interest on financial assets and financial liabilities measured at amortised cost;

Interest expense presented in the statement of comprehensive income consist of financial liabilities measured at amortised cost.

e. Fees and commissions income

Fees and commission are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred, together with related direct costs, and recognised as an adjustment to the effective interest rate on the loan. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

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

f. Net trading income

Net trading income comprises gains less losses relating to trading assets and liabilities, including interest.

g. Cash and Cash Equivalents

'Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with ARB Apex Bank and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an 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 in the statement of financial position.

h. Property and equipment

i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self- constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

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 as incurred.

iii. Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

Freehold Land & Buildings	2%
Motor Vehicle	20%
Office Equipment	25%
Furniture and Fittings	25%
Computers & Accessories	25%
Right of Used Assets	Leased Period

i. Intangible assets

i. Computer software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is 5 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

j. 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 exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less 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.

k. Deposits from customers

Deposits from customers are the Bank's sources of funding. Deposits from customers are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

l. Levies and similar charges

The Bank recognises the liability arising from levies and similar charges when it becomes legally enforceable.

m. Provisions and Contingencies

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. Future operating costs are not provided for.

Contingencies

A Contingent Liabilities is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the bank, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability,

If the likelihood of an outflow of resource is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

i. Contingent liabilities and commitments

The conduct of the Bank's business does not involve acceptance and performance bonds and indemnities.

n. Employee Benefits

i. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

ii. Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the 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.

iii. Other long-term employment benefits – Long Service Benefit

Long Service Benefits accrue to employees based on graduated periods of uninterrupted service. These benefits accrue over the service life of employees. Provision for Long Service Benefits is made based on valuation done using the projected unit credit basis. Gains or losses arising are charged to other comprehensive income.

o. Stated capital and reserves

i. Share capital

The Bank classifies capital and equity instruments in accordance with the contractual terms of the instrument. The Bank's share capital is not redeemable by holders in the normal course of business and bears an entitlement to distributions that is non-cumulative and at the discretion of the Directors. Accordingly, they are presented as a component of issued capital within equity.

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.

iii. Dividend on ordinary shares

Dividends on ordinary shares are recognized in the period in which they are approved by the shareholders. The Directors of the Bank proposed no dividend as at the end of the financial year ended 31 December 2022.

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

v. ***Statutory reserve***
This represents amounts set aside as a non-distributable reserve from annual profits in accordance with section 34 of Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and guidelines from Bank of Ghana.

vi. ***Credit risk reserve***
This is a reserve created to set aside the excess of amounts recognized as impairment loss on loans and advances to customers, based on provisions calculated in accordance with the requirements of IFRS and the Bank of Ghana's prudential guidelines.

p. Related parties

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

Majority shareholder

There is no single majority shareholder and all the transactions with individual and corporate shareholders were conducted in an arm's length.

Transactions with key management personnel

The Bank's key management personnel and other employees of the Institution, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive, non-executive directors and core employees of the Bank.

Interest rates charged on key management personnel for loans are at concessionary rates and other than the rates that would be charged in an arm's length transaction.

4. RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board is responsible for developing and monitoring the Bank's risk management policies over specified areas.

The Bank's risk management policies are established to identify and analyse risks faced by the Bank, set appropriate risk limits and controls and monitor risks and adherence to established policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. Through training and setting of standards and procedures, the Bank has developed a disciplined and reasonably effective control environment in which all employees understand their roles and obligations.

The Bank's Board 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 risks faced by the Bank.

The Bank's Board of Directors have been meeting on periodic bases to assess the risk associated with Bank's operations and monitoring of policies implemented.

5. FINANCIAL RISK MANAGEMENT

The Bank's activities expose the business to risks. These risks are managed professionally and 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 types of risks from its use of financial instruments:

i. credit risk
ii. liquidity risk
iii. market risks
iv. operational risks

The Bank continues to assess its overall risk management framework and governance structure. This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

a. <u>Credit risk</u>

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, cash and cash equivalents and investment securities. For risk management reporting purposes, the Bank considers all elements of credit risk exposure.

i. *Settlement risk*

The Bank's activities may give rise to risk at the time of settlement of transactions and trade. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a clearing agent (the Bank's bankers) to ensure that a transaction is settled only when both parties have fulfilled their contractual settlement obligations.

ii. *Management of credit risk*

The Board of Directors created the Credit Committee for the oversight of credit risk. A separate Credit Unit, reporting to the Credit Committee through the General Manager, is responsible for managing the Bank's credit risk, including the following.

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to key management personnel, branch managers and credit committee. Larger facilities as well as advances to staff of the Bank require approval by the Board of Directors, as appropriate.
- Reviewing and assessing credit risk: Bank Credit Committee assesses all credit exposures in excess of designated limits, before facilities are committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Developing and maintain the Bank's risk gradings to categorise exposures according to the degree of risk of default. The current risk grading framework consists of 8 grades reflecting varying degree of risk of default. The responsibility for setting risk grades lies with the final approving committee. Risk grades are subject to regular reviews by Bank's Risk Committee.

Developing and maintaining the Bank's processes for measuring ECL: This includes processes for:

  - initial approval, regular validation of the ECL model
  - determining and monitoring significant increase in credit risk; and
  - incorporation of forward-looking information.

- Reviewing compliance of stakeholders with agreed exposure limits, including those for selected credit customer groups and product type. Regular reports on the credit quality of portfolios are provided to Bank's

Credit Committee, which may require appropriate corrective action to be taken. These include reports containing estimates of ECL allowances.

- Reviewing the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans are:
  - Compulsory savings;
  - Short term investments
  - Guarantors
  - Mortgages over residential properties; and
  - Charges over business assets such as premises, inventory and accounts receivable.

The bank also registers all its collateral with the regulator (Bank of Ghana) and keeps a register at the banking premises (Head Office).

Regular audits of business units and Bank's credit processes are undertaken by Internal Audit.

iii. Credit Quality Analysis

Credit risk exposures relating to statements of financial position assets was as follows:

Loans and Advances	10,198,935	9,669,526
Overdraft	555,408	575,979
	10,754,343	**10,245,505**
Allowance for ECL	(1,215,960)	(887,789)
	9,538,383	**9,357,716**
20 Largest Exposures	2,488,161	2,338,882
Non Performing Loans	2,033,939	1,100,765
Key Loan Ratios		
Loan loss provision ratio	11.31%	8.67%
20 Largest Exposures to Total Exposures	23.14%	22.83%
Non Performing Loans	18.91%	10.74%

Credit Risk

Neither past due nor impaired	8,720,404	8,170,104
Past due but not impaired		
Days Overdue		
30 - 90	808,670	974,636
91 - 180	144,298	270,027
181 - 360	181,605	281,777
Over 360	899,366	548,961
	2,033,939	**2,075,401**
Impaired		
Days Overdue		
Up to 30	82,496	81,701
More Than 30 - 90	80,867	48,732
More Than 90 - 180	36,075	67,507
More Than 180 - 360	90,803	140,889
More Than 360	899,366	548,961
Addition/(Under Provision)	26,354	-
	1,215,960	**887,789**

Loans and Advances at Amortised Cost

Analysed in terms of Quality		
Neither past due nor impaired	8,720,404	8,170,104
Past due but not impaired	2,033,939	2,075,401
Gross Loans and Advances	**10,754,343**	**10,245,505**
Impaired	(1,215,960)	(887,789)
	9,538,383	**9,357,716**

Credit Risk		
Loans and Advances to Customers	**9,538,383**	**9,357,716**

Loan and Advances
Analysis by type of Purpose/Sector

Agriculture	2,183,607	166,939
Cottage Industry	475	701
Transport	805,000	30,303
Trading	3,964,114	170,689
Others/Salary	3,801,147	9,876,873
	10,754,343	**10,245,505**

Loans and Advances 2022

	Stage 1	Stage 2	Stage 3	Total
	GH¢	GH¢	GH¢	GH¢
Grade 1 - 3 Low (Fair Risk)	8,720,404	-	-	8,720,404
Grade 4 - 5 (Watch List)	-	808,670	-	808,670
Grade 6 (Substandard)	-	-	144,298	144,298
Grade 7 (Doubtful)	-	-	181,605	181,605
Grade 8 (Loss)	-	-	899,366	899,366
Total Gross Amount	**8,720,404**	**808,670**	**1,225,269**	**10,754,343**
Allowance for ECL	(82,496)	(80,867)	(1,052,597)	(1,215,960)
Carrying Amount	**8,637,908**	**727,803**	**172,672**	**9,538,383**

Loss Allowance

	Stage 1	Stage 2	Stage 3	Total
	GH¢	GH¢	GH¢	GH¢
Balance at 1 January	81,701	48,732	757,356	**887,789**
12 - months ECL	82,496	-	-	82,496
Lifetime ECL not Credit - Impaired	-	80,867	-	80,867
Lifetime ECL Credit - Impaired	-	-	1,052,597	1,052,597
Balance at 31 December	**82,496**	**80,867**	**1,052,597**	**1,215,960**
Charge for the year	**795**	**32,135**	**295,241**	**328,171**

The above represents the maximum exposure to credit risk at 31 December 2022 without taking into account of any collateral held or other credit enhancements attached. The exposures set out above are based on net carrying amounts reported in the statement of financial position. The following table sets out information about the overdue status of loans and advances to customers in stages 1, 2 and 3.

Loans and Advances 2022	Stage 1	Stage 2	Stage 3	Total
	GH¢	GH¢	GH¢	GH¢
Current	8,720,404	-	-	8,720,404
Overdue < 90 days	-	808,670	-	808,670
Overdue > 90 days	-	-	1,225,269	1,225,269
Total Gross Amount	**8,720,404**	**808,670**	**1,225,269**	**10,754,343**
Allowance for ECL	(82,496)	(80,867)	(1,052,597)	(1,215,960)
Carrying Amount	**8,637,908**	**727,803**	**172,672**	**9,538,383**

Maximum Exposure to Credit Risk 2022

	Note	Stage 1	Stage 2	Stage 3	Total
		GH¢	GH¢	GH¢	GH¢
Loans and Advances to Customers		8,720,404	808,670	1,225,269	10,754,343
Investment Securities		16,308,121	-	-	16,308,121
		25,028,525	**808,670**	**1,225,269**	**27,062,464**

The above represents the maximum exposure to credit risk at 31 December 2022 without taking into account of any collateral held or other credit enhancements attached. The exposures set out above are based on net carrying amounts reported in the statement of financial position. The following table sets out information about the credit quality of financial assets measured at amortised costs, unless specifically indicated, for financial assets, the amounts in the table represent gross carry amount.

Modified Financial Assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy.

The Bank renegotiates loans with customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Cash and Cash Equivalents

The Bank held cash and cash equivalents of GH¢4,174,134 at 31 December 2022 (2021: GH¢4,649,889). The cash and cash equivalents are held with ARB Apex Bank and other reputable financial institution counterparties.

Collateral held and other credit enhancements

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The information below sets out the principal types of collateral held against different types of financial assets.

Loans and advances to customers

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that borrowers provide it. The Bank may take collateral in the form of cash deposit, guarantor and mortgage.

Other types of collateral

In addition to the guarantor and mortgage used as collateral for loans and advances to customers, the Bank also holds other types of collateral such as investments (ie fixed deposits, treasury bills, certificate of deposit).

Assets obtained by taking possession of collateral

The Bank did not hold any financial and non-financial assets resulting from taking possession of collateral held as security against loans and advances at the reporting date.

iv. Amounts arising from ECL
Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk
When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

1. the remaining lifetime probability of default (PD) as at the reporting date; with
2. the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades
The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates.
Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Corporate and retail exposures:

i. Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes
ii. Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities
iii. Internally collected data on customer behaviour
iv. Payment record: this includes overdue status as well as a range of variables about payment ratios
v. Utilisation of the granted limit
vi. Requests for and granting of forbearance
vii. Existing and forecast changes in business, financial and economic conditions

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of products and borrower as well as by credit risk grading.

The bank employs a model to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant differs for different types of lending.

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank’s quantitative modelling:

i. the remaining lifetime PD is determined to have increased by more than a stated threshold of the corresponding amount estimated on initial recognition; or,
ii. if the absolute change is annualised, lifetime PD since initial recognition is greater than a stated threshold of basis points.
iii. The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank’s credit risk management processes that may not otherwise

be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgment and relevant historical experiences. As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

1. the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
2. the criteria do not align with the point in time when an asset becomes 30 days past due;
3. the average time between the identification of a significant increase in credit risk and default appears reasonable;
4. exposures are not generally transferred directly from 12-month ECL measurement to credit- impaired; and
5. there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2)

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.
- In assessing whether a borrower is in default, the Bank considers indicators that are:
- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The base case is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in Ghana.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure At Default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including borrower's extension options if any) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period.

The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2021 represent the allowance account for credit losses and reflect the measurement basis under IFRS 9:

Loans and Advances	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
2022	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Current	8,720,404	-	-	8,720,404
Overdue < 90 days	-	808,670	-	808,670
Overdue > 90 days	-	-	1,225,269	1,225,269
Total Gross Amount	**8,720,404**	**808,670**	**1,225,269**	**10,754,343**
Allowance for ECL	(82,496)	(80,867)	(1,052,597)	(1,215,960)
Carrying Amount	**8,637,908**	**727,803**	**172,672**	**9,538,383**

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	GH¢	**GH¢**	**GH¢**	**GH¢**
Balance at 1 January	81,701	48,732	757,356	**887,789**
12 - months ECL	82,496	-	-	82,496
Lifetime ECL not Credit - Impaired	-	80,867	-	80,867
Lifetime ECL Credit - Impaired	-	-	1,052,597	1,052,597
Balance at 31 December	**82,496**	**80,867**	**1,052,597**	**1,215,960**
Charge for the year	**795**	**32,135**	**295,241**	**328,171**

b. Liquidity Risk

‘Liquidity risk’ is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The consequences may be the failure to meet obligations to repay depositors and fulfil commitments to lenders. The Bank’s objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank’s reputation.

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, ‘liquid assets’ include cash, cash reserve balances with ARB Apex Bank, balance with other banks, investments up to one year and government securities. ‘Volatile liabilities’ include deposits from customers, other liabilities, etc.

	Note	2022 GHC	2021 GHC
Cash and Cash Equivalents	19	4,174,134	4,649,889
Investment Securities at Amortised Cost	17	16,308,121	7,390,000
		20,482,255	**12,039,889**
Deposits and current accounts	21	31,977,324	25,621,266
Net Exposure		**(11,495,069)**	**(13,581,377)**
% of Exposure		**36%**	**53%**

At the reporting date, the ratio of the Bank's net liquid assets to deposits from customers was 36% (2021: 53%)

i. Exposure to Liquidity Risk

The table below sets out the remaining contractual maturities of the Bank's financial liabilities and financial assets at the reporting date

	Carrying Amount 2022 GH¢	Carrying Amount 2021 GH¢
Deposits from customers	31,977,324	25,621,266
Other Liabilities	1,317,416	655,850
	33,294,740	**26,277,116**
Cash and Cash Equivalents	4,174,134	4,649,889
Investment Securities at amortised cost	16,308,121	7,390,000
Loans and Advances to customers	9,538,383	9,357,716
	30,020,638	**21,397,605**
Total liquidity reserves	**3,274,102**	**4,879,511**

ii. Liquidity reserves

The table below sets out the components of the Bank's liquidity reserves.

	2022 GH¢	2021 GH¢
Balances with ARB Apex Bank	1,935,621	2,591,849
Cash and balances with other Banks	3,890	5,970
Cash on Hand	2,234,623	2,052,070
	4,174,134	**4,649,889**

c. Market risk

Market risk is the risk of loss arising from adverse changes in market conditions (interest rates and equity prices) during the period. Positions that expose the Bank to market risk are non-trading related.

i. Risk identification

The Bank identifies market risk through daily monitoring of levels and profit and loss balances of non-trading positions. The Audit and Risk Committee, the Treasurer and the Finance Manager monitor market risk factors that affect the value of income streams on non-trading portfolios on a daily basis.

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios.

	Carrying amount GH¢	Market risk measure Non trading portfolios GH¢
Assets subject to market risk		
Cash and cash equivalents	4,174,134	4,174,134
Investment securities	16,308,121	16,308,121
Loans and advances to customers	9,538,383	9,538,383
	30,020,638	**30,020,638**
Liabilities subject to market risk		
Deposits from customers	**31,977,324**	**31,977,324**

ii. Interest rate risk

Interest rate risk is the exposure of current and future earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors, including:

1. Differences between the timing of market interest rate changes and the timing of cash flows (repricing risk);
2. Changes in the market interest rates producing different effects on yields on similar instruments with different maturities (yield curve risk); and
3. Changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar repricing characteristics (basis risk).

The Bank uses gap analysis to measure its exposure to interest rate risk. Through this analysis, it compares the values of interest rate sensitive assets and liabilities that mature or reprice at various time periods in the future. The Bank may make judgmental assumptions about the behaviour of assets and liabilities which do not have specific contractual maturity or repricing dates.

iii. Exposure to Interest Rate Risk

The following is a summary of the Bank's interest rate gap position on non-trading portfolios. The interest rate repricing gap table analyses the full-term structure of interest rate mismatches within the Bank's statement of financial position on the maturity date.

	Carrying amount GH¢
Assets subject to market risk	30,020,638
Liabilities subject to market risk	31,977,324
Interest rate risk	**(1,956,686)**

The management of interest rate risk against interest rate gap limits is supplemented by monitoring sensitivity of the Bank's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis.

Due to the fixed nature of the Bank's interest-bearing instruments, no sensitivity analysis has been disclosed. Overall, non-trading interest rate risk positions are managed by Treasury, which uses investment securities and customer deposits to manage the overall position arising from the Bank's non-trading activities.

iv. Exposure to currency risk – non-trading portfolios

As at the reporting date the Bank did not have any exposures to currency risks.

d. Operational risk

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. 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.

The Bank's Compliance Unit is responsible for establishing and maintaining an appropriate framework of the Bank's compliance policies and procedures. This responsibility is supported by the development of overall Bank standards for the management of operational risk.

The Bank has a Risk and Compliance unit which monitors the all the frameworks governing the operations of the Bank. The unit reports to Bank of Ghana on monthly basis, issues report to Board of Directors on risk and compliance on period basis and on daily basis liaise with the internal audit unit of the bank to minimise risk and comply with laws, frameworks and standards.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

a) Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exit and other valuation models. Assumptions and inputs used in valuation techniques includes risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

a. Financial instruments measured at fair value – fair value hierarchy
   The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the statement of financial position.

b. Financial instruments not measured at fair value
   The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

Cash and cash equivalents
Cash and cash equivalents include, cash on hand, balances with banks and other financial institutions, and short-term investments.

Investment securities
The fair value of investment securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is rated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Loans and advances to customers
Loans and advances to customers are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value.

Deposits from customers
The estimated fair value of deposits with no stated maturity dates, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar maturity profiles.

7. CAPITAL MANAGEMENT

a. *Regulatory capital*

The Bank's regulator, the Bank of Ghana sets and monitors capital requirements for the Bank as a whole.

In implementing current capital requirements, the Bank of Ghana requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

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

i. Tier 1 capital, also referred to as core/primary capital is made up of equity and disclosed reserves. Equity includes issued and fully paid ordinary share capital and perpetual non-cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after-tax retained earnings/surplus and general statutory reserves and does not include regulatory credit risk reserve.

ii. Tier 2 capital, also referred to as supplementary/secondary capital includes revaluation reserves, latent revaluation reserves and hybrid capital instruments. Latent revaluation reserves relate to unrealised gains on equity instruments classified as FVOCI.

Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital. 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 (if any).

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 complied with the statutory capital requirements throughout the period. There have been no material changes in the Bank's management of capital during this period.

Capital Adequacy Ratio (CAR)

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk-weighted asset base. In accordance with Bank of Ghana regulations, a minimum ratio of 10% is to be maintained.

The Bank's Capital Adequacy Ratio (CAR) as at the year-end was 10.17% above the regulatory minimum requirement.

b. *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 operation, by the Bank's Risk Management and Credit Administration Units, and is subject to review by the executive committee of the Board 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. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the 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.

8. SEGMENT REPORTING

The Bank's current operation is not segregated to show divisional performance and as such does not lend itself to segmental reporting; hence management has provided information on all its agencies which do not meet the definition of segmental reporting.

		2022	2021
		GH¢	GH¢
9	**Interest Income**		
	Interest on Loans	3,567,377	2,812,357
	Interest on Overdrafts	173,366	137,162
	Interest on Overdue Loans/Overdraft	1,426	113
	Interest on Investments (T/Bills)	2,242,805	1,390,543
		5,984,974	**4,340,175**
10	**Interest Expenses**		
	Interest on Savings Deposits	421,356	381,482
	Interest on Fixed Deposits	457,872	376,304
	Interest on Borrowings	83,810	42,009
		963,038	**799,795**

11 Fees and Commission Income

Commitment Fees	599,445	552,399
Commission on Turnover	261,808	162,532
Cheque Clearing Fees	13,994	16,897
Remittances	6,030	4,240
	881,277	**736,068**

Fees and Commission Expenses

Mobilisation Expenses	10,230	9,730
Susu Expenses	267,387	229,424
Cheque Clearing Expenses	7,364	5,091
Micro - Finance Expenses	10,299	5,691
	295,280	**249,936**

12 Other Operating Income

Other	554,215	763,274
	554,215	**763,274**

13 Right of Use Assets - Lease

Balance at Start	114,258	54,258
Additions	-	60,000
Reclassification	37,851	-
Balance at End	**152,109**	**114,258**
Accumulated Depreciation at Start	63,167	18,042
Depreciation Charge for the year	49,411	45,125
Accumulated Depreciation at End	**112,578**	**63,167**
Carrying Amount	**39,531**	**51,091**

14 Personnel Expenses

Staff Wages and Salaries	1,588,400	1,338,758
Staff End of Year Party	136,570	128,636
Staff Training Expenses	60,766	70,883
Medical Expenses	25,290	21,500
Other Staff Cost (SSF/PF, ……….)	464,180	384,667
	2,275,206	**1,944,444**

15 Depreciation and Amortisation

	Note		
Property Plant and Equipment	**34**	156,715	184,550
Right of Use Assets	**13**	49,411	45,125
Intangible Assets	**30**	22,371	22,462
		228,497	**252,137**

16 Other Operating Expenses

Directors Emoluments	70,950	61,825
Board Meeting Expenses	7,715	8,727
Travelling & Transport	704,230	395,361
Audit Expenses	8,668	7,400
Audit Fees	11,500	10,000
Printing and Stationery	64,783	56,292
AGM Expenses	84,150	75,500
Postage and Telephone	47,837	53,041
Donation and Charity Expenses	31,394	19,683
Entertainment and Business Promotion	55,616	53,138
Shortage in Till	50	2,376
Cashier Efficiency	2,400	1,800
Police Guard Expenses/Security	162,170	127,650
Fuel and Lubricant	96,784	90,054
Specie Movement	25,083	42,770
Office and Administrative Expenses	60,489	57,160
Advertising/Promotional Expenses	26,211	21,942
Bank Charges	84,644	25,808
Loan Recovery Expenses	6,316	4,620
Motor Vehicle Running Expenses	156,835	46,677

Rent and Rates	22,394	15,206
Water and Electricity	110,632	106,729
Subscriptions and periodicals	97,953	41,674
Generator Running Costs	97,693	68,639
Cleaning and Sanitation	45,664	43,807
Housing/Bungalow Expenses	6,616	8,518
Bad Debts Written-Off	200,349	45,000
Legal Fees/Expenses	6,000	19,000
Computerisation Expenses	315,291	485,993
Repairs and Maintenace	89,794	70,988
Other Expenses/Sundry Expenses	18,644	14,209
Insurance	157,394	162,647
	2,876,249	**2,244,234**

17	**Investment Security (at Amortised Cost)**	**Note**		
(a)	Treasury Bills		16,308,121	7,390,000
	Other Bills		-	-
			16,308,121	**7,390,000**
	Impairement at End	**32**	-	-
			16,308,121	**7,390,000**

17	**Investment Security (at FVOCI)**		
	Government of Ghana Bond	3,307,260	3,307,260
(b)	Investment in ARB Apex Bank Shares	123,673	123,673
		3,430,933	**3,430,933**

Reconciliation of Investment in ARB Apex Shares

Balance at Start	123,673	123,673
Fair Value gain/(loss)	-	-
Balance at End	**123,673**	**123,673**
Original Value of Shares	123,673	123,673

The fair value gain/(loss) represents the cummulative net change in the fair value of investment held at Fair Value through Other Comprehensive Income (FVOCI) recognised as fair value reserve until the assets are derecognised.

		Note		
18	**Loan and Advances**	**Note**		
(a)	Loans and Advances		10,198,935	9,669,526
	Overdraft		555,408	575,979
			10,754,343	**10,245,505**
	Allowance for ECL	**32**	(1,215,960)	(887,789)
			9,538,383	**9,357,716**

18	**Impairment Losses on Financial Assets**	**Note**	**2022**	**2021**
(b)	Investment Securities (Amortised Cost)	**17**	-	-
	Loans and Advances to Customers	**18**	1,215,960	887,789
			1,215,960	**887,789**

18	**Impairement of Financial Assets Recognised**			
.(c)	Balance at Start		887,789	824,032
	Recognised in Income Statement		328,171	63,757
	Balance at End		**1,215,960**	**887,789**
	Total Impairment		328,171	63,757
	Recognised in Income Statement		**328,171**	**63,757**

18	**Credit Risk Reserve**	**Note**	**2022**	**2021**
(d)	Impairment per BoG	**31**	1,215,960	887,789
	Impairment per IFRS	**18**	1,215,960	887,789
			-	**-**

This is a reserve created to set aside the excess of amounts recognised as impairment loss on Financial Assets, based on provisions calculated in accordance with the requirement of IFRS and the Bank of Ghana's prudential guidelines.

19	**Cash and Cash Equivalents**	**Note**		
	Cash on Hand		2,234,623	2,052,070
	Claims on Other Banks		3,890	5,970
	Other - ACOD 7		400,000	1,200,000
	Current Accounts - ARB Apex Bank Ltd		248,384	149,915
	5% Apex Reserves/Deposit		1,287,237	1,241,934
			4,174,134	**4,649,889**

20	**Other Assets**	**Note**		
	Stationery Stock		79,766	97,784
	Rent Prepaid		5,128	42,006
	Interest/Comm Accrued		395,449	350,379
	Insurance Prepaid		47,253	41,705
	Interest in Arrears		155,798	166,911
	Managed Loaned Funds		-	993
	Others		857,835	951,547
			1,541,229	**1,651,325**

21	**Deposit and Current Accounts**		
	Savings Account	21,587,567	15,631,817
	Currrent Account	4,575,664	5,185,122
	Time Deposit	3,050,271	2,932,616
	Susu	2,763,822	1,871,711
		31,977,324	**25,621,266**

22	**Borrowings:**		
	Balance at Start	-	466,656
	Additions	1,125,000	(466,656)
	Repayments	-	-
	Balance at End	**1,125,000**	-

23	**Other Liabilities**		
	Accrued Interest	95,079	88,758
	Unearned Discount T/Bills	974,553	185,311
	T24 License Payable	-	65,513
	Deposit Protection	18,827	-
	Managed Funds	45,702	46,298
	Others	183,255	269,970
		1,317,416	**655,850**

		Note		
24	**Provisions**			
	Provision for Audit Fees		11,500	14,500
	Others		43,324	2,752
	Provision for CEO Retirement		5,990	-
	Development Fund	**24**	5,869	5,869
			66,683	**23,121**

24	*Reconciliation of Development Fund*		
(a)	Balance at Start	5,869	5,869
	Additions during the year	-	-
	Provisions utilised during the year	-	-
	Balance at End	**5,869**	**5,869**

24	*Provision for CEO Retirement*		
(b)	Balance at Start	-	-
	Transfer during the year	5,990	-
	Balance at the End	**5,990**	**-**

The provisions are on account of constructive obligation created by the Bank as a result of the Bank's involvement in the community development and others constructive obligations of the Bank.

		Note		
25	**Current Tax**			
(a)	Balance at Start		(71,875)	(105,214)
	Adjustment (Transferred to Other Assets)		(9,376)	105,214
	Charge for the year	**33**	179,212	20,125
	Payment during the year	**33**	(75,000)	(92,000)
	Balance at End		**22,961**	**(71,875)**

25	**Deferred Tax**			
(b)	Balance at Start		36,224	81,889
	Release for the year		-	(45,665)
	Balance at End	**33**	**36,224**	**36,224**

25 Reconciliation of Tax Expense on Income Statement

.(c) Analysis of Taxation charge in the year

Current tax on income for the year	179,212	20,125
Deferred tax released for the year	-	(45,665)
Tax on Ordinary activities	**179,212**	**(25,540)**

25 (d) Profit (Loss) before tax	**454,025**	**285,214**
Tax applicable at 25%	113,506	71,303
Tax effect on Non-deductible expenses	556,668	315,894
Tax effect on Capital allowances	(237,760)	(187,492)
Deferred Tax released for the year	-	(45,665)
Current tax charge at 25%	**432,414**	**154,041**
Effective tax rate	**95%**	**54%**
Taxation Liability at End	22,961	(71,875)

26 Stated Capital

Authorised Shares (of no par value)

Ordinary Shares	167,707,705	167,707,705
Preference Shares	500	500

Issued and Fully Paid Shares

	Shares	**Shares**
26 (a) Ordinary Shares		
Number of Shares at Start	1,600,000	2,507,499
Transfer to Deposits for Shares	-	(907,499)
Shares issued and registered	-	-
Number of Shares at End	**1,600,000**	**1,600,000**

	GH¢	**GH¢**
Balance at Start	800,000	1,166,729
Amount Registered During the Year	-	-
Adjustment	-	(366,729)
Balance at End	**800,000**	**800,000**

		Shares	Shares
26	**Deposits for Shares**		
(b)	Number of Shares at Start	1,038,949	50,144
	Registered	-	-
	Transfer from Ordinary Shares	-	907,499
	Shares issued during the year	49,790	81,306
	Number of Shares at End	**1,088,739**	**1,038,949**
		GH¢	**GH¢**
	Balance at Start	407,382	-
	Amount Registered During the Year	-	-
	Issued During the Year	24,895	40,653
	Adjustment	-	366,729
	Balance at End	**432,277**	**407,382**
	Total Stated Capital		
	Ordinary Shares	800,000	800,000
	Deposit for Shares	432,277	407,382
		1,232,277	**1,207,382**

Deposit for shares represents shares issued but yet to be registered with the Registrar General Department

26	**Preference Shares**		
.(c)	Number of Shares at Start	130	130
	Shares issued during the year	-	-
	Number of Shares at End	**130**	**130**
	Amount (GH¢)	**13**	**13**

27	**<u>Statutory Reserve Fund</u>**		
	Balance at Start	735,699	593,092
	Transfer from Retained Earnings	68,703	142,607
	Balance at End	**735,691**	**735,699**

This represents amounts set aside as a non-distributable reserve from annual profit in accordance with section 34 of Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and guidelines from Bank of Ghana.

28 Retained Earnings

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

29 Basic Earnings Per Share

Net Profit After Tax	274,813	310,754
Number of Shares in Issue	2,688,739	2,638,949
Weighted Average number of Shares	2,660,849	2,579,104
E. P. S	**0.10**	**0.12**

30 Intangible Assets (Software License)

Cost		
Balance at Start	224,615	-
Additions	-	224,615
Balance at End	**224,615**	**224,615**
Amortisation		
Balance at Start	22,462	-
Charge for the year	22,371	22,462
Balance at End	**44,833**	**22,462**
Carrying Amount	**179,782**	**202,153**

31 Impairment of Loans and Advances - BoG

	2022		**2021**	
	Gross Loans	**Impairment**	**Gross Loans**	**Impairment**
	GH¢	**GH¢**	**GH¢**	**GH¢**
Current	8,720,404	82,496	8,170,104	81,701
OLEM	808,670	80,867	974,636	48,732
Substandard	144,298	36,075	270,027	67,507
Doubtful	181,605	90,803	281,777	140,889
Loss	899,366	899,366	548,961	548,961
Additions/(Under Provision)	-	26,354	-	-
	10,754,343	**1,215,960**	**10,245,505**	**887,789**

31 Impairment Losses on Financial Assets

(a)	Investment Securities (Amortised Cost)	-	-
	Loans and Advances to Customers	(1,215,960)	(887,789)
		(1,215,960)	**(887,789)**

32 Impairment of Financial Assets - IFRS

(a) Loans and Advances 2022

	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	Total GH¢
Grade 1 - 3 Low (Fair Risk)	8,720,404	-	-	8,720,404
Grade 4 - 5 (Watch List)	-	808,670	-	808,670
Grade 6 (Substandard)	-	-	144,298	144,298
Grade 7 (Doubtful)	-	-	181,605	181,605
Grade 8 (Loss)	-	-	899,366	899,366
Total Gross Amount	**8,720,404**	**808,670**	**1,225,269**	**10,754,343**
Allowance for ECL	(82,496)	(80,867)	(1,052,597)	(1,215,960)
Carrying Amount	**8,637,908**	**727,803**	**172,672**	**9,538,383**

Loss Allowance

	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	Total GH¢
Balance at 1 January	81,701	48,732	757,356	**887,789**
12 - months ECL	82,496	-	-	82,496
Lifetime ECL not Credit - Impaired	-	80,867	-	80,867
Lifetime ECL Credit - Impaired	-	-	1,052,597	1,052,597
Balance at 31 December	**82,496**	**80,867**	**1,052,597**	**1,215,960**
Charge for the year	**795**	**32,135**	**295,241**	**328,171**

Loans and Advances 2021

	Stage 1 GH¢	Stage 2 GH¢	Stage 3 GH¢	Total GH¢
Grade 1 - 3 Low (Fair Risk)	8,170,104	-	-	8,170,104
Grade 4 - 5 (Watch List)	-	974,636	-	974,636
Grade 6 (Substandard)	-	-	270,027	270,027
Grade 7 (Doubtful)	-	-	281,777	281,777
Grade 8 (Loss)	-	-	548,961	548,961
Total Gross Amount	**8,170,104**	**974,636**	**1,100,765**	**10,245,505**
Allowance for ECL	(81,701)	(48,732)	(757,356)	(887,789)
Carrying Amount	**8,088,403**	**925,904**	**343,409**	**9,357,716**

Loss Allowance

	Stage 1	Stage 2	Stage 3	Total
	GH¢	GH¢	GH¢	GH¢
Balance at 1 January	65,415	16,689	741,928	**824,032**
12 - months ECL	81,701	-	-	81,701
Lifetime ECL not Credit - Impaired	-	48,732	-	48,732
Lifetime ECL Credit - Impaired	-	-	757,356	757,356
Balance at 31 December	**81,701**	**48,732**	**757,356**	**887,789**
Charge for the year	**16,286**	**32,043**	**15,428**	**63,757**

33 Taxation

Year	Balance b/d	Charge	Payment	Adjustment	Balace c/d
	GH¢	GH¢	GH¢	GH¢	GH¢
2020	(91,242)	11,028	(25,000)	-	(105,214)
2021	(105,214)	20,125	(92,000)	105,214	(71,875)
2022	(71,875)	179,212	(75,000)	(9,376)	22,961
	(268,331)	**210,365**	**(192,000)**	**95,838**	**(154,128)**

	2022	2021
	GH¢	GH¢
Corporate Tax Paid		
Previous Year's Outstandings	-	-
Current Year	75,000	92,000
	75,000	**92,000**

Prior Year Adjustment	
Difference in Fully Depreciated PPE	(212,485)
Retained Earnings	(143,386)
	(355,871)

34 Property Plant & Equip.	Buildings	Office Computers	Furniture, Fixtures & Fittings	Office Equipment	Motor Bikes	Motor Vehicles	Total
2022	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Balance	1,226,468	153,321	158,990	659,675	47,560	264,294	2,510,308
Addition	-	35,900	5,000	41,103	33,050	-	115,053
Fully Depreciated	-	(69,438)	(128,387)	(501,920)	(25,480)	(12,202)	(737,427)
Reclassification	-	-	-	-	-	-	-
	1,226,468	**119,783**	**35,603**	**198,858**	**55,130**	**252,092**	**1,887,934**
Depreciation							
Balance	155,555	115,375	158,989	291,385	22,372	116,699	860,375
Charge for the year	22,245	24,421	8,059	43,390	8,089	50,511	156,715
Reclassification	-	-	-	-	-	-	-
Fully Depreciated	52,537	(91,451)	(147,546)	(229,628)	(13,508)	(95,346)	(524,942)
	230,337	**48,345**	**19,502**	**105,147**	**16,953**	**71,864**	**492,148**
Carrying Amount at 31st December 2022	**996,131**	**71,438**	**16,101**	**93,711**	**38,177**	**180,228**	**1,395,786**
Carrying Amount at 31st December 2021	**1,070,913**	**37,946**	**1**	**368,290**	**25,188**	**147,595**	**1,649,933**

34 Property Plant & Equip.	Buildings	Office Computers	Furniture, Fixtures & Fittings	Office Equipment	Motor Bikes	Motor Vehicles	Total
2021	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Balance as at Start	1,226,468	171,970	168,602	727,148	34,380	394,347	2,722,915
Additions	-	6,695	11,784	50,075	13,180	-	81,734
Fully Depreciated	-	(40,518)	(21,396)	(102,374)		(130,053)	(294,341)
Adjustments		15,174	-	(15,174)		-	-
Balance at End	**1,226,468**	**153,321**	**158,990**	**659,675**	**47,560**	**264,294**	**2,510,308**
Depreciation							
Balance at Start	132,695	134,489	160,697	328,450	17,594	196,241	970,166
Fully Depreciated	-	(40,518)	(21,396)	(102,374)		(130,053)	(294,341)
Adjustments	-	-	-	-		-	-
Charge for the year	22,860	21,404	19,688	65,309	4,778	50,511	184,550
Balance at End	**155,555**	**115,375**	**158,989**	**291,385**	**22,372**	**116,699**	**860,375**
Carrying Amount at 31st December 2021	**1,070,913**	**37,946**	**1**	**368,290**	**25,188**	**147,595**	**1,649,933**
Carrying Amount at 31st December 2020	**1,093,773**	**37,481**	**7,905**	**398,698**	**16,786**	**198,106**	**1,752,749**

SUMA RURAL BANK LIMITED
Value Added Statement for the Year Ended 31 December 2022

	2022	2021
	GH¢	GH¢
Interest earned and other Operating Income	7,420,466	5,839,517
Direct Cost of Service and Other Costs	(3,092,864)	(2,423,618)
Value Added by Banking Services	**4,327,602**	**3,415,899**
Non Banking Income	-	-
Impairment Losses	(328,171)	(63,757)
Valued Added	**3,999,431**	**3,352,142**
Distributed as follows		
To Employees		
Directors	78,665	70,552
Other Employees	2,275,206	1,944,444
	2,353,871	**2,014,996**
To Government		
Income Tax	179,212	(25,540)
Rates	-	-
	179,212	**(25,540)**
To Providers of Capital		
Finance Costs (Interest paid on Borrowings)	963,038	799,795
Dividend Payments	-	-
	963,038	**799,795**
Retention		
Depreciation and Amortisation	228,497	252,137
Retained Earnings	**274,813**	**310,754**
Transfer to Statutory Reserve	68,703	142,607
Transfer to Other Funds	-	-
	68,703	**142,607**

SUMA RURAL BANK LIMITED

Capital Allowance Computation

Year of Assessment **2022**

	Class 1 40%	Class 2 30%	Class 3 20%	Class 4 10%	Total
Written Down Value at Start	25,382	149,123	303,335	620,957	
Disposals					
Additions	35,900	33,050	46,103	-	
Total	**61,282**	**182,173**	**349,438**	**620,957**	
Capital Allowance	(24,513)	(54,652)	(69,888)	(88,708)	**(237,760)**
Written Down Value at End	**36,769**	**127,521**	**279,550**	**532,249**	**976,090**

SUMA RURAL BANK LIMITED

Tax Computation

Year of Assessment **2022**

	GH¢	GH¢
Net Profit/(Loss) as per Account		**454,025**
Provision for Impairment	328,171	
Provision for Depreciation	156,715	
Donations	15,697	500,583
Adjusted Profit/(Loss)		954,608
Capital Allowance		(237,760)
Chargeable Income		**716,848**
Tax Charged at 25%		**179,212**