

Annual Report

& Financial Statements
for the Year Ended 31st
December, 2020



Suma Rural Bank Limited
P.O.Box 13
Suma Ahenkro-B/A.



ANNUAL REPORT

& Financial Statements
for the Year Ended 31st
December, **2020**



Suma Rural Bank Limited
P.o.Box 13
Suma Ahenkro-B/A.



2020 AGM

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& Financial Statements for the Year Ended 31st December, 2020

Messrs John Allotey & Associates
(Chartered Accountants)
SSNIT House

Tel: **(03520) 23505**
P.O. Box **414**
Sunnyani

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Form of Proxy for use at Annual General Meeting

I/We _____

of _____

Being a Shareholder(s) of **Suma Rural Bank** hereby

appoint _____

on _____

at the Annual General Meeting of the Bank to be held on the **18th December, 2021** at **Suma Presby Church** at **10:00am** and at any adjournment thereon

Signed on the _____ day of _____ **2020**

(Shareholder's Signature)

NOTE:

Complete Proxy form should reach the Secretary, Suma Rural Bank Ltd., not less than Forty-eight (48) hours to the time of the meeting.

TOP TWENTY (20) SHAREHOLDERS LIST AS AT 31 DEC 2020

S/N	Customer No.	Full Name	Total Shares	Shares Percentage (%)
1	SH1204262A	LYMIN CREEK LIMITED	234,612	9.01
2	SH12009093	SASAH WIREDU KOFI	54,942	2.11
3	SH12004058	JOHNSON OFORI-ASUBONTENG	53,567	2.06
4	SH1204061A	VIVIAN MFODWAA GYAN	45,802	1.76
5	SH1204128A	NSRAWUDI KWAME NICHOLAS	40,777	1.57
6	SH12004460	BABA KWESI EMMANUEL	40,242	1.55
7	SH12006004	SAANA BEDIATUO NYARKO-DABIE	39,638	1.52
8	SH1204304A	SOGA KOFI MOSES	37,754	1.45
9	SH1202651A	ADJEI-AMPONSAH MARTIN	22,340	0.86
10	SH12010162	FRANCIS TWENE YAW	18,621	0.72
11	SH12010122	YIADOM KUSI BOACHIE	18,614	0.72
12	SH12001094	KUMAH JOSEPH	16,933	0.65
13	SH1202677A	RICHARD ABABIO	14,270	0.55
14	SH12010064	MARY MFODWAA	14,049	0.54
15	Sh12005140	CLEMENT AGYEMAN DONKOR	13,953	0.54
16	SH1203171A	ERIC ANSAH ANKOMAH	13,782	0.53
17	SH12004493	YIADOM DIANA	13,269	0.51
18	SH12004467	AMANKONA DENNIS	13,269	0.51
19	SH12010065	AWUAH ALEX KWASI	12,199	0.47
20	Sh12004569	NKETIA ABENA STELLA	12,151	0.47

Notice of Annual General Meeting

Notice is hereby given that the **35th ANNUAL GENERAL MEETING (AGM)** of shareholders of **SUMA RURAL BANK LIMITED** will be held at **Suma Presby Church, Suma-Ahenkro** on **Saturday, 18th December, 2021** to transact business of Annual General Meeting at **10:00 a.m.** prompt.

AGENDA

1. To read the Notice convening the meeting.
2. To confirm the minutes of the 34th Annual General Meeting.
3. To receive and consider the Chairman's report.
4. To receive and consider the Report of the Directors and Accounts for the year ended 31st December, 2020 and the Auditors' report.
5. To authorize the Directors to fix Auditors remuneration.
6. To fix the remunerations of Directors.
7. To elect Directors in place of those retiring by rotation.
8. To transact any other business appropriate to be dealt with at an Annual General Meeting.



BY ORDER OF THE BOARD
SGD. MOSES KOFI SOGA
(SECRETARY TO THE BOARD)
Dated: 9th November, 2021

NOTE:

- The Final Accounts for 2020 Financial Year is available for download at the bank's website (www.sumaruralbank.com)
- A form of proxy is available for download at the Bank's website (www.sumaruralbank.com) and members can complete the form and email it to the address: agm@sumaruralbank.com not less than Forty Eight (48) hours prior to the meeting time

Board of Directors, Management and Registered Office

DIRECTORS	
Mr. Kofi Wiredu Sasah	Chairman
Vivian Mfowaa	Vice Chairman
Nyarko Sanaa Dabie	Member
Emmanuel Kwesi Baba	Member
Moses Kofi Soga	Member
Afram Kwasi	Member
ASP Williams Abayateye	Member
MANAGEMENT TEAM	
GENERAL MANAGER	Mr. Adjei-Amponsah Martin
OPERATIONS MANAGER	Mr. Kumah Joseph
ACCOUNTANT	Mr. Ababio Richard
HEAD OF AUDIT	Mark Asante
CREDIT MANAGER	Amankonah Dennis
REGISTERED OFFICE:	Suma Rural Bank Limited P.O.Box 13 Suma Ahenkro-B/A.
AUDITORS:	Messrs John Allotey & Associates (Chartered Accountants) SSNIT House Tel: (03520) 23505 P.O. Box 414 Sunyani

Capital Allowances Computation Year of Assessment - 2020 Basis: 01/01/2020 - 31/12/2020

Assets' Class	W.D.V. B/F	Additions	Disposal	Total	Rate	Deprn.	W.D.V. C/F
CLASS 1 POOL	22,693	36,654	-	69,347	40%	23,739	35,608
CLASS 2 POOL	298,057	75,000	-	373,057	30%	111,917	261,140
CLASS 3 POOL	173,318	68,908	-	242,226	20%	48,445	193,781
	494,068	180,561	-	674,629		184,101	490,529

Assets' Class	W.D.V. B/F	Additions	Disposal	Total	Rate	Deprn.	W.D.V. C/F
CLASS 4 POOL	165,204	-	-	165,204	10%	18,356	146,848
	165,204	-	-	165,204		18,356	146,848

SUMMARY

Reducing Balance Method	186,197
Straight Line Method	18,356
	204,553

Tax Computation Year of Assessment - 2020

	GH¢
Profit as per Accounts	92,847
Add Back: Depreciation	255,305
Impairment Credit Loss	148,624
Adjusted Profit	496,776
Less: Capital Allowances	(204,553)
Chargeable Income	292,223
Unrelieved Losses b/d - 2019	(248,110)
Chargeable Income	44,113
Tax thereon @ 25%	11,028

This is subject to agreement by the Ghana Revenue Authorities.

The Year at a Glance

	2020 GH¢	2019 GH¢	% Change
Major Income Statement Items			
Gross Earnings	4,960,176	4,104,177	21%
Interest Expenses	870,588	813,932	7%
Overhead Expenses	3,848,117	3,482,862	10%
Loan Impairment Charge	148,624	294,825	-50%
Profit before Taxation	92,847	(487,442)	-119%
Profit after Taxation	71,716	(560,592)	113%
Major Statement of Financial Position Items			
Total Assets	25,754,219	22,418,777	15%
Deposit Liabilities	22,565,822	18,414,781	23%
Loans and Advances	7,279,617	6,605,339	10%
Borrowings	466,656	1,888,856	-75%
Shareholders' Funds	1,772,916	1,675,813	6%
Per Share Data			
Earnings Per Share	0.03	(0.23)	112%
Total Assets Per Share	10.07	8.94	13%
Shares Issued to date	2,557,656	2,507,499	2%
Dividend Per Share	-	-	
Net Assets Per Share	0.69	0.67	4%

Chairman's Report

Report by Mr. Kofi Wiredu Sasah, Board Chairman at The 35th Annual General Meeting slated for 18th December, 2021

Introduction

- Dear valued Shareholders,
- Colleague Directors,
- Ex Directors,
- Officials from BoG/Apex Bank,
- Chief Executive Officers and Directors from RCBs present,
- Nananom.
- The District Chief Executive from Jaman North,
- The Member of Parliament from Jaman North Constituency,
- Heads of Departments,
- Ministers of God,
- All protocol observed

We thank Almighty God for gathering us here today for this important meeting of our financial institution to take inventory of the activities for the year 2020.

On behalf of the Directors, Management

and Staff of the bank and on my own behalf, I welcome you all to the 35th Annual General Meeting of Suma Rural bank Limited.

The year 2020 began well, with the hope of recovering from the shock of the Banking and Financial crises of the previous years. This hope did not live long as the world plunged into the Covid-19 pandemic in the very first quarter of 2020. We do not need to mention the effect of the pandemic on business activity, economy or on banking.

In spite of the challenges that we faced, we managed to post some growth in the operations of Suma Rural Bank. The growth indicators are highlighted in the table below.

Performance Indicators for 2020 financial Key year

NO	INDICATORS	AS AT 31ST DEC. 2019	AS AT 31ST DEC. 2020	% CHANGES	REMARKS
1	Total Deposit	18,414,781	22,565,822	22.54	Favourable
2	Investment	8,040,000	11,210,000	39.43	Favourable
3	Loans & Overdraft	6,605,339	7,279,617	10.21	Favourable
4	Shareholders' Funds	1,675,813	1,772,916	5.79	Favourable
5	Share Capital	1,166,742	1,192,129	2.18	Favourable
6	Total Assets	22,418,777	25,754,219	14.88	Favourable
7	Profit Before Tax	(487,442)	92,847	119.05	Favourable

Value Added Statement for the Year Ended 31 December, 2020

	2020 GH¢	2019 GH¢
Interest earned and other operating income	4,960,176	4,103,727
Direct cost of services and other costs	(2,623,666)	(2,263,119)
Value added by banking services	2,336,510	1,840,608
Non-banking income	-	450
Impairments	(148,624)	(294,825)
Value added	2,187,886	1,546,233
Distributed as follows:		
To employees		
Directors	(44,060)	(69,162)
Other Employees	(1,795,674)	(1,815,453)
	(1,839,734)	(1,884,615)
To Government		
Income Tax	(21,131)	(95,520)
To providers of capital		
Dividends to shareholders	-	-
To expansion and growth		
Depreciation and amortisation	(255,305)	(149,060)
Retained Earnings	71,716	(582,962)

average number of ordinary shares outstanding of **2,557,656 (2019: 2,507,499)** calculated as follows:

Net profit for the year attributable to equity holders of the Bank	71,716	(582,962)
Weighted average number of ordinary shares	2,557,656	2,507,499
Basic and diluted earnings per share	0.03	(0.23)

25. RELATED PARTY TRANSACTIONS

Advances due from Directors and Staff of the Bank amounted to **GH¢ 362,414; (2019 - GH¢)** Detail is as follows:

	2020 GH¢	2019 GH¢
Directors	-	-
Officers and Employees	362,414	-
	362,414	-

HIGHLIGHT ON THE KEY PERFORMANCE INDICATORS (KPIs).

Total Deposit

Valued Shareholders, the Bank's total deposit grew by **22.54%** from **GH¢ 18, 414,781** to **GH¢ 22, 565,822** during the year due to the vigorous mobilization embarked upon by Board and Management.

The bank's deposit will continue to grow as deposit mobilization team has been formed in all the agencies to improve upon deposit.

Investment

The bank's short-term investment increased by **39.43%** from **Gh¢8,040,000.00** to **GH¢11,210,000.00** during the year under review.

Loans & Advances

The bank's loans and advances increased from **GH¢6, 605,339** to **GH¢7, 279,617** representing a growth of **10.21%** for the year of which more than 2/3 (two thirds went to agricultural sector) We therefore want to use this opportunity to appeal to all our loan defaulters to honour their part of the contract by settling their indebtedness with the bank to avoid legal actions against them.

Fellow shareholders, we appeal to you to help us educate all other customers to honour the agreement in our loan contract. Non-performing Loans (NPL) mitigate so much against our growth and profitability.

Shareholders' Fund (Net Worth)

Dear Shareholders, your bank's net worth grew by **5.79%** from **GH¢1, 675,813** to **GH¢1, 772,916** during the year under review. As the name shows, this amount represents funds due to you the shareholders as at 31st December, 2020. The Board and Management will ensure that much effort is put up to better this indicator for the subsequent years.

Paid Up Capital

I wish to inform all shareholders that the bank's paid-up capital as at 31st December, 2020 was **GH¢1, 192,129** as against **GH¢1, 166,742** for the previous year representing a marginal growth of **2.18%**. We are appealing to both existing and prospective shareholders to purchase more of our shares to meet any future increase from the Bank of Ghana as well as allowing us to grant huge loans to single customers in order to make much income for the bank. If we are unable to meet future increase from the regulator, then the bank has two options either by merger or acquisition which I definitely know you would not allow to transpire.

Total Assets

Ladies and Gentlemen, the total assets of the bank increased from **GH¢22,418,777** to **GH¢25, 754,219** representing **14.88%** during the year. The Board and Management would continue to work harder to grow the assets base of the bank.

Profit before Tax

Fellow Shareholders, aside the difficulties the bank went through during the year under review due to COVID – 19 pandemic a significant percentage of 119.05 was recorded on our profit before tax from a loss of **GH¢487,442** to profit of **GH¢92,847**. The Board and Management are doing everything possible to further improve over the situation

Exit of the General Manager

Fellow shareholders I wish to use this opportunity to announce to you that, the bank's General Manager, Mr. Martin Adjei-Amponsah has resigned from the bank due to the Bank of Ghana's directives in the new corporate governance that all general managers of Rural and Community Banks who has been in office for a period of twelve years cannot continue in office. For your information Mr. Adjei's resignation is purely legitimate.

The Board has therefore replaced Mr. Adjei-Amponsah by appointing Mr. Kofi Acheampong who would be introduced to you today at this meeting.

Update of Shareholders Bio Data

Ladies and Gentlemen, we are all aware that, the world is now going digital, therefore there has been the need for all shareholders of the bank to visit any of our agencies and furnish us with the following information: Telephone number, Postal address, digital address, email address (if any), next of king, and

one passport picture to make their shareholding records complete in our share register. This update will make it easier for management to disseminate information from the Bank to you.

Dividend

The directors do not recommend a dividend payment for the year under review. (Notice No. BG/GOV/SEC/2020/03)

Retirement of Directors

Fellow members, as we all know, the companies' code 2019 makes it mandatory that one third (1/3) of the directors of the Bank retire each year. Due to that effect the following Directors are retiring from the Board.

1. Mad. Vivian Mfodwaa Gyan
2. Mr. Emmanuel Kwesi Baba

Mr. Emmanuel Kwesi Baba and Madam Vivian Mfodwaa Gyan are stepping down without seeking for re-election. Therefore, there will be a need for fresh election to replace the retiring directors. There is a new development in the election and appointment of new directors. After electing a Director(s) by Poll Voting in an AGM, Such elected Director(s) shall be screened and approved by Bank of Ghana before they assume office.

E-Banking Products

Ladies and gentlemen, I wish to use this opportunity to announce to you and all our customers that the bank now has

	No. of Shares 2020	Proceeds 2020	No. of Shares 2019	Proceeds 2019
Issued and Fully Paid:				
Balance at 1 January	2,507,499	1,166,742	-	1,112,970
Cash Issuance	50,144	25,387	-	53,759
Preference Shares of No Par Value	13	13	-	13
Balance at 31 December - Fully Paid	2,557,656	1,192,142	2,507,499	1,166,742

All Ordinary Shares rank equally with regard to the Bank's Residual Assets. Holders of these Shares are entitled to Dividends as declared from time to time and are entitled to one vote per share at General Meetings of the Bank.

STATED CAPITAL & RESERVES STATED CAPITAL

The Bank classifies Capital and Equity Instruments in accordance with the Contractual Terms of the Instruments. Incremental Costs that are directly attributable to the issue of an Equity Instrument are deducted from the initial measurement of the Equity Instruments. Dividends on Ordinary Shares are recognized in the period in which they are approved by the Shareholders. Dividends proposed which are yet to be approved by Shareholders are disclosed by a way of recognizable notes.

21. INCOME SURPLUS

This represents the Residual of Cumulative Annual Profits that are available for distribution to the Shareholders. Refer to Statement of Changes in Equity.

22. STATUTORY RESERVES

Statutory Reserves are based on the Requirements of Section 34 of the Banks and Specialized Deposits-Taking Institutions Act (ACT 930). Transfers into Statutory Reserves are made in

accordance with the relationship between the Bank's Reserve Fund and it's Paid Up Capital, which determines the proportion of profits for the period that should be transferred.

- (i) Where the Reserve Fund is less than fifty percent of the Stated Capital, then an amount not less than 50% of net profit for the year is transferred to the Reserve Fund.
- (ii) Where the Reserve Fund is more than 50% but less than 100% of the Stated Capital, then

23. COMMUNITY DEVELOPMENT FUND

This Fund supports Development Activities in the Communities that the Bank operates actively, which evidently is envisaged to continue. Refer to Statement of Changes in Equity.

24. EARNINGS PER SHARE Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2020 was based on the profit attributable to ordinary shareholders of **GH¢71,716** (2019: **GH¢(582,962)**) and a weighted

17. DEPOSIT AND CURRENT ACCOUNTS

	2020 GH¢	2019 GH¢
Savings Accounts	14,276,890	12,388,620
Current Accounts	3,983,698	2,871,382
Time Deposit	2,539,722	1,904,215
Micro Finance (Susu & Others)	1,765,512	1,250,564
	22,565,822	18,414,781

18. BORROWINGS

Short - term:

Social Infrastructure Fund	466,656	866,664
ARB APEX Bank Limited	-	1,022,192
	466,656	1,888,856

19. OTHER LIABILITIES

Unearned Discount on Treasury Bills	204,385	132,812
Audit Fees	11,813	9,400
Office Account	125,754	87,033
Accrued Interest	72,737	45,459
Provision for Defalcation	-	4,943
Provision for Police Guard	5,700	6,900
GH Link	2	-
CAGD Overdue Refunds	-	337
Payment Order	1,285	-
Managed Funds	78,214	70,478
Interest In Suspense	56,053	10,179
Ezwich Operation CR	310,993	-
	866,936	367,541

20. STATED CAPITAL

Authorized Shares:

Number of Ordinary Shares of No Par Value	167,707,705	167,707,705
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ATM cards at all our agencies so we entreat you to visit any of our agencies for ATM cards for use. What it means is that any holder of our ATM card (GH-link) can use it to withdraw money from any GH-link bank anywhere in the country.

The following e-banking products are also available for which customers can use for payments to their suppliers

1. Apex Instant Pay (AIP) and
2. GhIPSS instant pay (GIP)

Corporate Social Responsibilities:

Dear Shareholders, Nananom, the Bank continues to commit itself to the Socio-Economic development of its operational areas. As a result of this a total amount of **GH¢24, 520.00** was donated to the various social institutions in the Bank's catchment area. Among these institutions were various educational institutions, District-Assemblies, Traditional Councils and others.

The Bank shall continue to give back part of the wealth it creates to the

communities in which it operates.

Appreciation:

Ladies and gentlemen, at this juncture, I wish to express my profound thanks to my fellow board members for the co-operation they have accorded me ever since I took over as the board chairman. In the same vein, I wish to thank you the shareholders and the supervisory bodies (ie – ARB, BoG, Apex Bank) customers of the bank and who all have been supportive to the bank.

Conclusion:

Nananom, invited guests, fellow shareholders, I could not end my speech without thanking management and staff of the bank for dedication to work which has brought the bank to this far. I will urge them to keep their performance up. I thank you very much for coming to grace this occasion.

I wish you a happy Christmas and prosperous New Year.

May God bless us all.
Thank you.

Report of the Directors to the Members of Suma Rural Bank Limited

The Directors in submitting to the shareholders the financial statements of the Bank for the year ended 31 December, 2020 report as follows:

Directors' Responsibility Statement

The Bank's Directors are responsible for the preparation of the financial statements that give a true and fair view of Suma Rural Bank Limited financial position at 31 December 2020, and of the profit or loss 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, and in the manner required by the Companies Act, 2019 (Act 992), and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930). In addition, the directors are responsible for the preparation of this

directors' report.

The Directors are also responsible for 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.

Financial results and dividend

The financial results of the Bank for the year ended 31 December, 2020 are set out in the attached financial statements, highlights of which are as follows:

December	2020 GH¢	2019 GH¢
Profit/(Loss) before taxation is	92,847	(487,442)
from which is added/ deducted taxation of	(21,131)	(95,520)
giving profit/(loss) after taxation for the year of	71,716	(582,962)
less net transfer to statutory reserve fund and other reserves of	(35,858)	-
leaving a balance of	35,858	(582,962)
to which is added a balance brought forward on retained earnings of (54,032)		615,722
less changes on initial application of IFRS 9 and other reserves of	-	(25,636)
less prior year adjustment of	-	-
less final dividend paid of	-	(61,156)
leaving a balance of	(18,174)	(54,032)

16. PROPERTY & EQUIPMENT COST/VALUATION

	CAPITAL W-I-P GH¢	Right of Use Assets GH¢	Land & Building GH¢	Office Equipment GH¢	Office Computers GH¢	Furniture & Fittings GH¢	Motor Vehicles GH¢	Motor Bikes GH¢	Total GH¢
Balance at 1/1/2020	1,300		1,225,168	659,080	135,316	67,762	133,025	34,380	2,356,031
From other assets to ROUA		54,258							54,258
	1,300	54,258	1,225,168	659,080	135,316	167,762	133,025	34,380	2,410,289
Additions	-	-	-	68,068	36,654	840	261,322	-	366,854
Transfer	(1,300)		1,300	-	-	-	-	-	-
Balance at 31/12/2020	-	54,258	1,226,468	727,148	171,970	168,602	394,347	34,380	2,777,173
ACCUMULATED DEPRECIATION			2%	8%	8%	26%	23%	9%	
Balance at 1/1/2020	-	-	109,835	267,599	120,788	116,490	103,668	14,523	732,903
Charge for the year	-	18,042	22,860	60,851	13,701	44,207	92,572	3,071	255,305
Adjustments/Disposal	-	-	-	-	-	-	-	-	-
Balance at 31/12/2020	-	18,042	132,695	328,450	134,489	160,697	196,240	17,594	988,208
CARRYING AMOUNT									
AT 31 DECEMBER, 2020	-	36,216	1,093,773	398,698	37,480	7,905	198,107	16,786	1,788,965
AT 31 DECEMBER, 2019	1,300	1,115,333	391,481	14,528	29,357	19,857	1,623,128		

14(a) DEFERRED TAXATION

	1/1/2020	Movements	12/31/2020
Charge / (Credit) to Comprehensive Income Statement			
Historical Cost - NCA	240,639	47,258	287,897
Loan Impairment Charge	(168,853)	(37,155)	(206,008)
	71,786	10,103	81,889

(b) RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred Tax Assets and Liabilities are attributed to the following:

	Temporary Difference GH¢	Tax Rate GH¢	Deferred Tax GH¢
Deferred Tax Asset - Loan Impairment Charge	(824,032)	25%	(206,008)
Deferred Tax Liability - NCA	1,151,589	25%	287,897
Net Deferred Tax (Assets) / Liabilities	327,557		81,889

15. OTHER ASSETS

Stationery Stock	117,419		66,797
Rent Prepaid	-		54,508
Office Account	1,015,405		1,067,509
Interest in Arrears	179,349	-	250,923
Insurance Prepaid	41,666		30,664
Managed Loaned Funds	17,234		17,233
SMS Charges Waiver	-		2,494
Interest and Commission Accrued	198,492		-
Unassigned line	30		-
Uncleared Effects	28,580		56,466
	1,598,175		1,546,594

Dividend

The Board of Directors do not recommend any dividend payment based on Bank of Ghana's directive **(NOTICE NO. BG/GOV/SEC/2020/03)** dated 20th April, 2020.

Nature of Business

The Bank is authorized by Bank of Ghana to carry on the business of rural banking. There was no change in the nature of business of the Bank during the year.

Capacity of directors

The Bank ensures that only fit and proper persons are appointed to the Board after obtaining the necessary approval from the regulator, Bank of Ghana. Relevant training and capacity

DIRECTOR

building programs, facilitated by the Ghana Banking College and the Bank of Ghana, are put in place to enable the directors discharge their duties.

Auditor

The terms of our external auditors Allotey and Co has ended and, therefore, the board has taken a decision to appoint Gyabaah and Partners for the next six years subject to the approval of the Shareholders and Bank of Ghana, section 84(4)

Approval of the Financial Statements

The financial statements of the Bank were approved by the Board of Directors on 25th June 2020 and were signed on their behalf by:

DIRECTOR

Independent Auditor's Report to the Members of Suma Rural Bank Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Suma Rural Bank Limited, which comprise the statements of financial position as at 31 December 2020 and the statements of comprehensive income, changes in equity and cash flows for the year the ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 43.

In our opinion, these financial statements give a true and fair view of the financial position of Suma Rural Bank Limited as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2019 (Act 992), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Bank in

accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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 matters 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. For the matter below, we have provided our description of how our audit addressed the matter as provided in that context.

Key audit matter

Impairment of financial assets

At 31 December 2020, the Bank's financial assets and respective impairment, where applicable, were as follows:

12a. Impairment Allowance for Loans & Advances

Balance at 1 January	675,413	357,139
IFRS 9 Impact	-	25,636
Provision released		(2,187)
Loan Impairment Charge	148,624	294,825
Balance at 31 December	824,037	675,413

12b. Bank of Ghana Provisions

Balance at 1 January	675,407	608,404
Provision released	-	(2,187)
Provisions made	148,624	69,190
Balance at 31 December	824,031	675,407

13(a) INCOME TAX EXPENSE

Current Income Tax	11,028	22,370
Deferred Income Tax	10,103	73,150
	21,131	95,520

Deferred Tax Income relates to the origination and reversals of temporary differences.

(b) CURRENT TAXATION

Year of Assessment	Balance at 1/1/2020	Payments during the year	Charge to Income Statement	Over/(Under) Provision	Balance at 31/12/2020
2020	(91,242)	(25,000)	11,028	-	(105,214)
	(91,242)	(25,000)	11,028	-	(105,214)

All Tax Liabilities calculated are subject to the agreement with the Ghana Revenue Authority.

(c) RECONCILIATION OF EFFECTIVE TAX RATE

Profit before tax	92,847
Income Tax using the Domestic Tax Rate	23,212
Non-Deductible Expenses	100,982
Tax Impact of Capital Allowances	(51,138)
Recognition of previously Unrecognized Tax Credit	(62,028)
Deferred Tax	10,103
Current Tax Charges	21,131
Effective Tax Rate (%)	22.76%

	2020 GH¢	2019 GH¢
Maturity within 90 days of acquisition	7,290,000	3,470,000
Maturity after 90 days but within 182 days	2,420,000	3,420,000
Maturity after 182 days of acquisition	1,500,000	1,150,000
	11,210,000	8,040,000

There was no indication of impairment of Government Securities held at the year end.

11. INVESTMENT SECURITY - AVAILABLE FOR SALE

ARB APEX Bank Limited (Unlisted Equity)	123,673	123,673
	123,673	123,673

This represents investment in the ordinary shares of ARB APEX Bank Limited. Currently, the Bank has no intention of disposing off the assets.

12. LOANS AND ADVANCES

(a) Analysis By Type of Customer

Term Loans	7,479,960	6,713,092
Overdraft	623,689	567,660
Gross Loans	8,103,649	7,280,752
Less:		
Credit Impairment Loss	(824,032)	(675,413)
Net Loans	7,279,617	6,605,339

(b) Analysis By Type of Business Segment

Agriculture	218,426	730,589
Trading	374,001	1,113,839
Transport	34,648	91,815
Cottage	688	8,617
Others	7,475,886	5,335,892
	8,103,649	7,280,752
Less: Credit Impairment Loss	(824,032)	(675,413)
Net Loans	7,279,617	6,605,339

Financial assets measured at amortised cost	Amount Outstanding GH¢	Impairment GH¢
Cash and cash equivalents	3,648,575	-
Investment securities	11,210,000	-
Investment other than securities	123,673	-
Loans & advances to customers	8,103,649	824,032

The impairment of these financial assets were determined on an expected credit loss basis under IFRS 9. IFRS 9 is a complex accounting standard which requires considerable judgement and interpretation in its implementation. These judgements were key in the development of the new models which have been built and implemented to measure the expected credit losses on relevant financial assets measured at amortised cost.

The increase in the data inputs required by the IFRS 9 models increases the risk of completeness and accuracy of the data that has been used to create assumptions and operate the models. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.

Expected credit losses (ECLs) are required to incorporate forward-looking information, reflecting management's view of potential future economic environment. The complexity involved requires management to develop new methodologies involving the use of significant judgements.

How the matter was addressed in our audit.

We obtained an understanding of and evaluated controls supporting management's estimates, judgements

and assumptions and tested selected key controls focusing on the completeness and accuracy of data used as input to the models including the transfer of data between source systems and the impairment models;

We examined a sample of loans and advances which had not been identified by management as impaired or for which there was no significant increase in credit risk at the reporting date and formed our own judgement.

We tested data used in the ECL calculation by reconciling to source systems to check data quality.

We assessed the reasonableness of forward-looking information incorporated into the impairment calculations by challenging the multiple economic scenarios chosen and the weighting applied to capture non-linear losses.

Key audit matter

We have focused on the following significant judgements and estimates which could give rise to material misstatement or management bias:

- Significant increase in credit risk (SICR) focusing on both the qualitative and quantitative criteria used by the Bank

- Definition of default and credit impaired assets focusing on both the qualitative and quantitative criteria used by the Bank
- Probability of Default - PD - (estimate of the likelihood that borrowers will be unable to meet their debt obligations over a particular time horizon)
- Exposure At Default - EAD - (amount expected to be owed the Bank at the time of default)
- Loss Given Default - LGD - (percentage exposure at risk that is not expected to be recovered in an event of default)
- Forward looking economic information and scenarios used in the models
- Completeness, accuracy and integrity of data used in the model and the Expected Credit Loss (ECL) calculations.

How the matter was addressed in our audit.

We assessed the measurement decisions and the ECL models developed by the Bank which include challenging management's determination of:

- significant increase in credit risk,
- definition and identification of default,
- probability of default,
- exposure at default, and
- loss given default.

We re-performed certain model calculations to evaluate the inputs and

risk parameter outputs.

We considered post-model adjustments in the context of key model and data limitations identified by management, challenged their rationale and recalculated where necessary.

We tested the underlying disclosures on IFRS 9 and compared these to underlying accounting records.

Other Information

The directors are responsible for the Other Information. The other information comprises notice and agenda for the Annual General Meeting, Corporate information, chairman's report. Other information does not include 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 of financial statements that

Cheque Clearing Expenses	820	20
Police Guard	119,070	113,335
Entertainment	41,771	52,033
Advertising & Publicity	27,144	16,977
Cleaning & Sanitation	34,205	17,322
Subscription and Periodicals	39,917	54,452
Annual General Meeting	60,160	52,538
Mobilization & Recovery Exps.	23,385	11,357
Micro Finance Exps.	8,265	12,026
Computerization	280,415	41,512
Legal Fees	24,912	33,485
Donation & Charitable Contributions	24,520	14,564
Fuel & Lubricants	190,801	131,519
Shortages in Till	862	106
Consultancy Fees	1,000	4,000
Traveling and Transport	360,401	374,209
Cashier Efficiency	1,200	-
General Expenses	10,270	1,000
	1,797,138	1,518,349

9. CASH AND CASH EQUIVALENTS

Cash in Hand	1,731,566	2,207,343
ARB APEX Bank Limited:		
Clearing Account	218,224	747,332
5% Deposit	1,075,997	793,319
E - Zwitch	120,788	103,495
MTN MOBILE MONEY	-	9,560
Republic Bank	2,000	7,752
ACOD 7	500,000	520,000
	3,648,575	4,388,801

10. NON-PLEDGED TRADING ASSETS 2020

	2020 GH¢	2019 GH¢
At 1 January	8,040,000	6,020,000
Additions	5,910,000	10,657,946
Redeemed at Maturity	(2,740,000)	(8,637,946)
At 31 December	11,210,000	8,040,000

5. INTEREST EXPENSE

	2020 GH¢	2019 GH¢
Borrowings	172,276	250,815
Deposits	698,312	563,117
	870,588	813,932

6. COMMISSION AND FEES

Commission Received	141,315	114,379
Commitment Fees	431,070	406,611
Other Income	798,203	469,328
Cheque Clearing Fees	14,333	1,149
	1,384,921	991,467

7. PERSONNEL EXPENSES

Staff Salaries and Wages	1,186,219	1,251,987
Other Staff Costs	319,204	329,093
Staff Medical	22,250	14,400
Staff Training	35,400	46,158
Staff Housing Expenses	1,468	-
Staff End of Year Party	25,538	-
Susu Expenses	205,595	173,815
	1,795,674	1,815,453

8. OPERATING EXPENSES 2020

Directors' Emoluments	44,060	62,600
Board Meeting	5,460	6,562
Light and Water	84,925	98,979
Audit Fees & VAT Charge	11,813	9,400
Audit Expenses	3,886	5,145
Printing and Stationery	50,557	40,341
Repairs and Maintenance	104,486	150,728
Rent, Rates and Levies	396	19,869
Communication Cost	21,680	41,185
Insurance Premium	114,381	73,829
Office Expenses	45,079	41,232
Specie Movement	26,240	23,951
Bank Charges	35,057	14,073

give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and for 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.

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

Those charged with the governance are responsible for overseeing the Bank's financial reporting process.

Auditor's 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 scepticism 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 responsive 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the bank audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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 the directors with a statement that we have complied with

relevant ethical requirements regarding independence, and have communicated 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 the directors, 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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Companies Act, 2019 (Act 992) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books; and
- the Bank's statement of financial position and Bank's statement of

b. Capital Description

The Bank's Capital is the Shareholders' funds comprising Stated Capital, Statutory Reserves and Income Surplus, which includes

current and previous year's retained earnings. The current level of the Bank's capital complies with the existing minimum Stated Capital requirement of Bank of Ghana.

c. The Level of Capital Adequacy

	2020 GH¢	2019 GH¢
Paid Capital	1,192,117	1,166,729
Disclosed Reserves	580,787	509,071
Permanent Preference Shares	13	13
Sub-Total	1,772,916	1,675,813
Investments in Unconsolidated Subsidiaries	(123,673)	(123,673)
Tier 1 Capital	1,649,243	1,552,140
Tier 2 Capital	-	-
Regulatory Capital	1,649,243	1,552,140
Required Regulatory Capital	1,709,443	(28,492)
Surplus Capital	(60,200)	1,523,648

The Bank's regulatory capital was above the required minimum for the period. 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 recognized 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.

3.26 Post Statement of Financial Position Events

Events subsequent to the Statement of Financial Position date are reflected in the Financial Statements only to the extent that they relate to the year under consideration and the effect is material.

4 INTEREST INCOME

	2020 GH¢	2019 GH¢
Investments	860,452	262,357
Loans and Overdrafts	2,714,803	2,843,537
Remittances Transfer	-	6,366
	3,575,255	3,112,260

.....cont.	2020 GH¢	2019 GH¢
Concentration by industry:		
Agricultural	219,114	730,589
Trading	374,001	1,113,839
Transport	34,648	91,815
Others	7,475,886	5,344,509
Gross loans and advances	8,103,649	7,280,752
Less: Impairment	(824,032)	(675,413)
Net loans and advances	7,279,617	6,605,339

Key ratios on loans and advances

- Loan loss provision is 14.47% (2019 : 9.28%)
- Gross non-performing loans and advances is 15.16% (2019 ; 12.48%)

3.24 Liquidity Risk

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

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

The Assets and Liabilities Committee (ALCO) manages a portfolio of short term liquid assets and other interbank facilities and ensures that liquidity is maintained within the bank. The work of the ALCO is supported by the Treasury Unit which ensures that the bank has adequate liquidity at all times for its operations and to satisfy both statutory and prudential requirements.

ALCO further maintains a prudent investment mix to ensure that there is adequate maturing funds available to meet any unexpected withdrawals from the Bank. Daily liquidity report is also submitted to Management for decision making.

3.25 CAPITAL

a. The Objectives of Capital Management

The Capital Management Objective of the Bank is to ensure that the financial net assets at the end of the financial year exceeds the financial amount of the net assets at the beginning of the year after deducting distributions and adding contributions from the owners.

This objective will be to ensure that, at anytime, the Stated Capital requirement by Bank of Ghana would be met and also to comply with the Capital Adequacy Ratio Regulatory requirements of Bank of Ghana. This will be achieved by maintaining an appreciable level of profits to meet these expected Capital increases by Bank of Ghana.

comprehensive income are in agreement with the books of account.

In accordance with section 85(2) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) we hereby confirm that:

- the accounts give a true and fair view of the state of affairs of the Bank and the results of operations for the period under review;
- we were able to obtain all the information and explanations required for the efficient performance of our duties as auditor;
- the Bank's transactions were within its powers; and
- the Bank has, in all material respects, complied with the provisions of this Act.

With respect to the provisions of the Anti-Money Laundering Act, 2008 (Act 749) (as amended), the Anti-Terrorism Act, 2008, (Act 762) and the Regulations made under these enactments, we did not identify any instances of non-compliance based on procedures we performed.

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

In our opinion, proper books of account have been kept, and the statements of financial position and comprehensive income are in agreement with the books of account.

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), as amended by Anti-Money Laundering Amendments Act, 2014 (Act 874), the Anti-Terrorism Act, 2008 (Act 762) and the Regulations made under these enactments.

The engagement partner on the audit resulting in this independent auditor's report is: Ogyeabour Barima Amankwaah Adunan II(ICAG/1154).

For and on behalf of John Allotey & Associates
(ICAG/F/2021/161)
Chartered Accountants
Prudential Plaza
Adum Kumasi, Ghana
Date: 5th June, 2021.

Statement of Comprehensive Income for the Year Ended 31 December, 2020

	Notes	2020 GH¢	2019 GH¢
Interest Income	4	3,575,255	3,112,260
Interest Expense	5	(870,588)	(813,932)
Net Interest Income		2,704,667	2,298,328
Commission and Fees	6	1,384,921	991,467
Net Interest Income and Fees		4,089,588	3,289,795
Other Operating Income		-	450.00
Total Operating Income		4,089,588	3,290,245
Impairment Loss Charge	12a	(148,624)	(294,825)
Personnel Expenses	7	(1,795,674)	(1,815,453)
Depreciation	16	(255,305)	(149,060)
Operating Expenses	8	(1,797,138)	(1,518,349)
Profit Before Tax		92,847	(487,442)
Income Tax Expense	13a	(21,131)	(95,520)
Total Comprehensive Income for the year		71,716	(582,962)
Earnings per share:			
Basic earnings per share (GH¢)		0.03	(0.23)
Diluted earnings per share (GH¢)		0.03	(0.23)

Collaterals and other credit enhancements.

The bank employs a range of policies and practices to mitigate credit risk.

The most traditional of these is the taking of security for funds advanced, which is common practice. The bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Charges over business / personal assets such as premises, Vehicle.
- Charges over financial instruments such as debt securities and equities Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities or individuals are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimize the credit

loss, the bank will seek additional collateral from the counter party as soon as impairment indicator are identified for the relevant loans and advances.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior year.

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit impaired and the related collateral in order to mitigate potential losses as shown above.

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk on loans and advances is shown below.

Loan and advances to customers	2020 GH¢	2019 GH¢
Carrying amount		
Concentration by product:		
Term loans	7,117,546	6,713,092
Overdraft	623,689	567,660
Staff loans	362,414	-
Gross loans and advances	8,103,649	7,280,752
Less: Impairment	(824,032)	(675,413)
Net loans and advances	7,279,617	6,605,339

December 2020	Term Loans	Overdrafts	Staff Loans	Total
Individually impaired loans	1,115,655	93,553	6,339	1,215,547
Fair Value of Collateral				

December 2019	Term Loans	Overdrafts	Staff Loans	Total
Grade:				
Individually impaired loans	904,373	-		904,373
Fair Value of Collateral	-	-		-

At 31 December 2020, the Bank's Loans and Advances were categorized under IFRS 9 as follows:

Stage 1 - At initial recognition - Performing

Stage 2 - Significant increase in credit risk since initial recognition - Underperforming

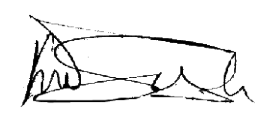
Stage 3 - Credit Impaired - Non-performing

2020	Stage 1	Stage 2	Stage 3	Total
Cash & Cash equivalents	3,648,575			3,648,575
Investment Securities	11,210,000			11,210,000
Investment other than Securities	123,673			123,673
Loans & Advances to Cust.	6,541,473	333,778	1,228,397	8,103,649
Other assets (less Prepayments)	1,598,175			1,598,175
Gross carrying amount	23,121,896	333,778	1,228,397	24,684,072
Loss allowances	(62,308)	(16,689)	(745,036)	(824,032)
Carrying amount	23,059,589	317,089	483,361	23,860,039

Statement of Financial Position as at 31 December, 2020

Assets	Notes	2020 GH¢	2019 GH¢
Cash and Cash Equivalents	9	3,648,575	4,388,801
Non-Pledged Trading Assets	10	11,210,000	8,040,000
Investments (Other than securities)	11	123,673	123,673
Loans & Advances	12	7,279,617	6,605,339
Current Tax	13b	105,214	91,242
Other Assets	15	1,598,175	1,546,594
Property, Plant and Equipment	16	1,788,965	1,623,128
Total Assets		25,754,219	22,418,777
Liabilities			
Deposits from customers	17	22,565,822	18,414,781
Borrowings	18	466,656	1,888,856
Other Liabilities	19	866,936	367,541
Deferred Tax	14a	81,889	71,786
Total Liabilities		23,981,303	20,742,964
Equity & Reserves			
Stated Capital	20	1,192,129	1,166,742
Income Surplus	21	(18,174)	(54,032)
Statutory Reserve	22	593,092	557,234
Community Development Fund	23	5,869	5,869
Total Equity & Reserves		1,772,916	1,675,813
Total Liabilities, Equity and Reserves		25,754,219	22,418,777

Approved by the Board of Directors on 26th May, 2021 and signed on its behalf by:

DIRECTOR: 

DIRECTOR: 

Statement of Changes in Equity for the year ended 31 December, 2020

2020	Stated Capital GH¢	Income Surplus GH¢	Statutory Reserve Fund GH¢	Comm. Dev. Fund GH¢	Total GH¢
At 1 January, 2020	1,166,742	(54,032)	557,234	5,869	1,675,813
Profit for the year	-	71,716	-	-	71,716
Transfer to Statutory Reserve	-	(35,858)	35,858	-	-
Issue of additional shares for cash	25,387	-	-	-	25,387
At 31 December, 2020	1,192,129	(18,174)	593,092	5,869	1,772,916

Statement of Changes in Equity for the year ended 31 December, 2019

2019	Stated Capital GH¢	Income Surplus GH¢	Statutory Reserve Fund GH¢	Comm. Dev. Fund GH¢	Total GH¢
At 1 January, 2019	1,112,983	615,722	557,234	5,869	2,291,808
IFRS 9 Impact	-	(25,636)	-	-	(25,636)
Restated Balance as at 1 January	1,112,983	590,086	557,234	5,869	2,266,172
Loss for the year	-	(582,962)	-	-	(582,962)
	-	(61,156)	-	-	-
Issue of additional shares for cash	53,759	-	-	-	53,759
At 31 December, 2019	1,166,742	(54,032)	557,234	5,869	1,675,813

	2020 GH¢	2019 GH¢
Individually Impaired		
Substandard	159,592	308,067
Doubtful	496,547	267,483
Loss	572,259	328,823
	1,228,397	904,373

Neither past due nor impaired

The quality of credit exposure to customers and other institutions that were neither past due nor impaired were assessed with reference to the Bank of Ghana prudential guidelines adopted by the bank for its internal grading purposes.

This category is made up as follows:

December 2020	Term Loans	Overdrafts	Staff Loans	Total
Grade:		-		-
Current	5,627,893	498,951	356,075	6,482,919

December 2019	Term Loans	Overdrafts	Staff Loans	Total
Grade:				
Current	5,840,444	-	-	5,840,444

Loans and advances past due but not impaired

Loans and advances graded internally as current and OLEM may be past due but are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

December 2020	Term Loans	Overdrafts	Staff Loans	Total
Grade:				
Past due but not impaired	373,998	31,184		405,182

December 2019	Term Loans	Overdrafts	Staff Loans	Total
Grade:				
Past due but not impaired	535,935	-		535,935

Individually impaired loans - Stage 3

The breakdown of the gross of loans and advances individually impaired by class, along with the fair value of related collateral held by the bank as security, are as follows:

The Credit Risk in the Bank's operations arise from largely Loans and Advances to Customers.

The Credit Risk is managed through the systems and controls established by Credit Department that ensure that there is review of the status of the credit at every stage from application to completion of the repayment of the

advance by the customer. There is the Credit Committee that reviews reports of the performance of the Loans and Overdrafts which takes appropriate action for recovery. Credit facilities are also closely monitored to uncover early warning signal or non-performance. The maximum amount of credit risk emanating from these sources is as follows:

	2020 GH¢	2019 GH¢
Loans and Advances to customers	8,103,649	7,280,752
	8,103,649	7,280,752
The Bank's loans and advances were categorized by the Bank of Ghana prudential guidelines as follows:		
I. Exposures that are neither past due nor impaired;		
II. Exposures that are past due but not impaired; and		
III. Individually impaired facilities.		
Maximum exposures to credit risk Carrying amount	7,279,616	6,605,339
Grade 1-3: Low - fair risk - Current	6,541,473	5,840,444
Grade 4-5: Low - watch list - OLEM	333,778	535,935
Grade 6: Substandard	159,592	308,067
Grade 7: Doubtful	496,547	267,483
Grade 8: Loss	572,259	328,823
Total Gross Amount	8,103,649	7,280,752
Allowance for impairment	(824,032)	(675,413)
Net Carrying Amount	7,279,616	6,605,339
a. Neither past due nor impaired		
Grade 1-3: Low - fair risk	6,541,473	5,840,444
b. Past due but not impaired		
Grade 4-5: watch list	333,778	535,935
c. Impaired classified by number of days due		
90-180 days	159,592	308,067
180-360 days	496,547	267,483
360 day +	572,259	328,823
	1,228,397	904,373

Statement of Cash Flows

	Year ended 31 December	
	2020 GH¢	2019 GH¢
Cash Flows from Operating Activities		
Profit before Tax	92,847	(487,442)
Depreciation & Amortization	255,305	149,060
Impairment loss on financial asset	-	(25,636.00)
Income Tax Paid	(25,000)	(69,245)
Gain on disposal of Property and Equipment	-	(450)
Transfer from other Assets	(54,258)	-
Cash Flows from Operating Activities before changes in Operating Assets & Liabilities	268,894	(433,713)
Changes in Operating Assets & Liabilities		
Change in Advances to Customers	(674,278)	112,727
Change in Other Assets	(51,581)	838,625
Change in Customers' Deposits	4,151,041	1,889,482
Change in Other Liabilities	499,395	22,402
Net Cash generated from Operating Activities	4,193,471	2,429,523
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(366,884)	(72,180)
Redemption of Treasury Bills and Other Eligible Bills	(3,170,000)	(2,020,000)
Proceeds on Disposal of Property & Equipment	-	450
Net Cash used in Investing Activities	(3,536,884)	(2,091,730)
Cash Flows from Financing Activities		
Dividend Paid	-	(61,156)
Additional Shares Issued	25,387	53,759
Change in Borrowed Funds	(1,422,200)	,727,767
Net Cash used in Financing Activities	(1,396,813)	1,720,370
Net (Decrease)/Increase in Cash and Cash Equivalent	(740,226)	2,058,163
Cash and Cash Equivalent at beginning of period	4,388,801	2,330,638
Cash and Cash Equivalent at end of the year	3,648,575	4,388,801

Notes to the Accounts for the Year Ended 31 December, 2020

1.0 REPORTING ENTITY

Suma Rural Bank Limited is a private Company incorporated and domiciled in Ghana. The Registered office is located at Suma, Bono Region. The Bank primarily is involved in rural banking.

2.0 BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for land and buildings and available-for-sale financial assets that have been measured at fair value.

2.2 Statement of Compliance

These financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB) and accounting requirements as dictated by the guide for financial publication 2017 issued by the Bank of Ghana and in a manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialized Deposits - Taking Institutions Act, 2016 (Act 930).

2.3. Functional and Presentation Currency

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

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adapted by the bank are consistent with those of the previous financial year except for leases which were previously treated under IAS 17 but are now reported per IFRS 16.

3.3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Bank and which have been applied in preparing these financial statements are stated below:

3.3.1 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

The following specific recognition criteria apply in revenue recognition.

3.3.2 Interest Income

Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost, financial instruments designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

such as interest rates, equity prices and foreign exchange rates. The Bank's exposure to market risk arises principally from customer driven transactions.

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

3.21 Write-off Policy

The bank writes off a loan when the credit committee determines that the loan is non-recoverable. Upon the recommendation of the credit committee, write-offs are referred to the Board and then to the Bank of Ghana for ratification.

3.22 Reputational Risk

Reputation, though an intangible asset, is considered as one of the prized assets of the bank. The Bank's definition of reputational risk is the risk of loss or under-performance caused by deterioration in public perception of (any part) the Bank, arising from adverse publicity or rumor. This can affect the Bank's ability to establish new relationships or retain existing relationships. Reputational risk can expose the Bank to financial loss, decline in customer base, litigation and loss of business generally. By the nature of its operations, reputational risk management plays a very significant role within the bank. The Bank ensures compliance with all legal, statutory &

Regulatory Requirements.

The Business Development and Marketing Department continue to monitor and manage reputational risk to the Bank by undertaking customer surveys and reporting to the appropriate business unit.

Reputational risk is difficult to quantify yet the damage from such reputational risk events can be devastating. The Bank, therefore, ensures to minimize the negative impact of reputational risk exposures on its image, earnings and capital by instituting the following measures:

- Strong Financial Stability
- Excellent Customer Services
- Timely and periodic review of service agreements
- Good Corporate Governance and control Practices
- Balancing the interest of all significant Stakeholders
- Professionalism of Employees
- Adherence to Corporate Social and Environmental Responsibility.
- Adequate annual budgetary allocation for donation and sponsorship.

3.23 Credit Risk

Credit Risk arises from the credit exposure to a borrower or a counter-party, in that either the borrower or the counter-party is unable to redeem an obligation or the liability to perform such obligation is impaired resulting in economic loss to the Bank.

The Credit Risk in the Bank's operations

resulting from the failure of its internal processes, people and systems, or from external events. Key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks. The Bank manages its operational risk at three distinct levels, each with clearly defined roles and responsibilities as follows:

Business Units and Support Functions

Business Units and Support Functions own and are responsible for understanding the operational risk inherent in their material products, activities, processes and systems. They are responsible for the consistent implementation of the operational risk management framework in their area of responsibility on a day-to day basis. This includes identifying the risks, establishing controls, and managing the risks in accordance with the Bank's overall risk tolerance and operational risk policies.

Operational Risk Management (ORM)

The ORM function has direct responsibility for formulating and implementing the Bank's ORM framework including methodologies, policies and procedures approved by the Board. ORM function works with the Business Units and Support Functions to ensure that the day-to-day operations of the Bank are in line with the approved ORM policies. The unit provides trainings and workshops to facilitate interpretation

and implementation of the various ORM programs. The unit continuously monitors the effectiveness and the quality of the controls and risk mitigation tools.

Internal Audit

The mission of Internal Audit is to provide an independent assurance of the design and effectiveness of internal controls over the risks to the Bank's business performance. In carrying out this function, Internal Audit provides specific recommendations for improving the governance, risk & control framework. The role of the Internal Audit function is to conduct regular independent evaluation and review of the Bank's policies, procedures and practices in relation to the ORM Policy Framework and report the results to the Board.

d. Market Risk

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

The Bank recognizes market risk as the exposure created by potential changes in market prices and rates, such as interest rates, equity prices

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR.

Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges). If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortized through Interest and similar income in the statement of comprehensive income.

3.3.3 Interest and similar income

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognized using

the contractual interest rate in net trading income.

3.3.4 Fees and commissions

Fees and commission income and expenses that are an integral part of the effective interest rate on financial instruments are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, management fees, sales commission, placement and arrangement fees and cheque clearing fees are recognized as the related services are performed.

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

3.3.5 Other Operating Income

This is made up of other operating income including profit or loss on sale of property, plant and equipment, Bad debt recovered and other miscellaneous incomes.

3.3.6 Interest Expense

Interest expense is recognized in profit or loss for all interest-bearing financial instruments measured at amortized cost, including loans and advances, as interest accrues using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense.

The effective interest rate is the rate that

exactly discounts the estimated future cash payments over the expected life of the instrument or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

The effective interest rate is calculated on initial recognition of the financial liability, estimating the future cash flows after considering all the contractual terms of the instrument.

The calculation includes fees paid by the Bank that are an integral part of the acquisition, issue or disposal of a financial instrument.

3.3.7 Income tax expense

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

3.3.8 Current Taxation

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

3.3.9 Deferred Taxation

Deferred tax is recognized in respect of temporary differences between the

carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realized simultaneously.

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting

conduct its ongoing business or to take benefit of opportunities to enhance its business.

Risk is inherent in every Bank's activities but it is managed through a process of constant identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to SRB's continuing profitability and each staff/board member within the Bank is answerable for the exposures relating to his or her responsibilities. The key risks the Bank is exposed to are credit risk, liquidity risk, market risk and operating risks.

a. Risk Management Structure

The Board of Directors has overall oversight responsibility about the bank's risk management framework. The Board's Audit Committee gives direction for overall risk monitoring and control and it is assisted in its functions by the Internal Control Department of the Bank. The Credit Committee, Assets and Liabilities Management Committee (ALCO) are directly responsible for developing and monitoring risks in their specific areas of operation. All these structures work together to ensure effective implementation of the risk management policies and procedures of the bank.

b. Risk Measurement and Reporting System

Risk taking is an integral part of banking business. In undertaking its business, SRB Limited has to strike an appropriate balance between the level of risk it is willing to take and

the level of returns it desires to achieve. In order to ensure that its risks are well managed within the Bank's risk appetite an effective risk management system that is commensurate with the size and nature of SRB's operations needs to be in place at all times.

As a means of enhancing corporate governance in the Bank, the risk management framework of the bank seeks to enhance its ability to identify and manage risks that it faces in the discharge of its functions by identifying, assessing, managing and monitoring key risks across all areas of its operations as well as gathering information on the Bank's risk exposure for management decision making.

Suma Rural Bank Limited has the following types of Risk exposures:

- Operational
- Risk Liquidity
- Risk Reputational Risk
- Market Risk
- Credit Risk
- Write-of Policy

These inherent risks are managed through a process of continuous identification, measurement, monitoring and controls. The bank continues to intensify measures to minimize the effects of these risks on its financial performance.

c. Operational Risk

'Operational risk' is the risk of direct or indirect loss that the Bank will suffer due to an event or action

current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as Borrowing Cost.

3.17 EMPLOYEE BENEFIT

Short-Term Benefits

a. 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 recognized 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.

b. Post Employment Benefits

Defined Contribution Plans Social Security and National Insurance Trust (SSNIT) Under a National Deferred Benefit Pension Scheme, the bank contributes 13% of employees' basic salary to the SSNIT for employee pensions. The bank's obligation is limited to the relevant contributions which were settled on due dates. The pension liabilities and obligations, however, rest with SSNIT.

Provident Fund

The Bank has a Provident Fund Scheme for all employees who have completed probation with the Bank. Employees contribute 5.5% of their basic salary to the Fund whilst the Bank contributes

11.5%. The obligation under the plan is limited to the relevant contribution and these are settled on due dates to the fund manager as required by National Pension Regulatory Authority (NPRA).

3.18 Events after the Reporting Date

Events subsequent to the reporting date are reflected only to the extent that they relate to the Financial Statements and the effect is material.

3.19 Dividend

Dividend on ordinary shares is recognized on equity in the period in which they are approved by the company's shareholders. Dividend proposed for approval at AGM is not recognized as a liability as at 31 December, 2020. The Directors did not recommend the payment of dividend.

3.21 Earnings per share

The Bank presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

3.20 RISK MANAGEMENT

Risk in a banking organization is the possibility that the outcome of an action or event could bring up adverse impacts. Such outcomes could either result in a direct loss of earnings/capital or may result in imposition of constraints on the bank's ability to meet its business objectives. Such constraints pose a risk as these could hinder a bank's ability to

purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

3.4 Financial assets and liabilities

Initial recognition and measurement Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument or regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Bank becomes party to the contractual provisions of the instrument or commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured

at amortized cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.
- In all other cases, the differences is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

3.4.1 Classification and subsequent measurement

From 1 January 2018, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortized cost.

The classification requirements for debt and equity instruments are described below:

3.4.2 Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and investment securities.

Classification and subsequent measurement of debt instruments depend on:

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

- Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represents solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI):** Financial assets that are held for collection of contractual cash flows

and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'other operating income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

- Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

The above classifications are done using: Business model: The business model reflects how the Bank manages the

leasehold property is amortized over the lease term of the property. The amortisation is recognized in profit or loss.

3.14 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 recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset that generates cash flows that are largely independent from other assets. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value 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 recognized 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 recognized.

3.15 Deposits and borrowings

This is mainly made up of customer deposit accounts, other financial institutions and medium term borrowings. They are categorized as other financial liabilities measured in the statement of financial position at amortized cost.

3.16 Provisions

The Bank recognizes provisions when it has a present obligation (Legal or Constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Profit or Loss net of any reimbursement.

If the effect of the Time Value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects

received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from banks or other counter parties. Any interest payable or receivable arising is recorded as interest payable or interest income respectively except for funding costs relating to trading activities which are recorded in net trading income.

3.12 Property, plant and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized 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 recognized 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 recognized 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 recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized 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. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

The estimated annual depreciation rate for the current and corresponding periods are as follows:

Freehold Land & Building	2%
Motor Vehicle	20%
Office Equipment	25%
Furniture and Fittings	25%
Computers & Accessories	25%
Improvement to rented premises	Leased Period

Right of use assets are amortized over the shorter of the lease term and the asset's useful life.

3.13 Leasehold property

Leasehold property is initially recognized at cost. Subsequent to initial recognition,

assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending

arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

3.4.3 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when

representing a return on such investments, continue to be recognized in profit or loss as other income when the Bank's right to receive payments is established.

3.4.4 Impairment

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3.4.5 Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.

If the terms are substantially different, the Bank derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on de-recognition.

If the terms are not substantially different, the renegotiation or modification does not result in de-recognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss.

financial institutions.

3.8 Loans and advances

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

Loans and advances to banks are classified as hold to collect. Loans and advances to customers include:

- those classified as loans and receivables; and
- finance lease receivables.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method. Loans and advances also include finance lease receivables in which the Bank is the lessor. When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognized in the Bank's financial statements.

3.9 Investments

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their

classification as hold to collect or hold to sell.

3.9.1 Non pledged and pledged trading assets

The non-pledged trading assets portfolio comprises debt securities purchased with the intent of short-term profit taking. The Bank values these securities with reference to quoted prices in active markets for identical assets. These securities are designated at fair value, with fair value changes recognized immediately in profit or loss.

3.10 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 has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize 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.

3.11 Collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of cash or securities in respect of other credit instruments or a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities. Collateral received in the form of securities is not recorded on the statement of financial position. Collateral

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 minimize 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 recognized 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.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.7 Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents comprises cash on hand, cash and balances with the ARB Apex Bank and amount due from banks and other

The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

3.4.6 De-recognition other than on a modification.

Financial assets

The Bank derecognizes 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 DE recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) 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 recognized in OCI is recognized in profit or loss.

Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Bank is recognized as a separate asset or liability.

3.4.7 Identification and measurement of impairment

At each reporting date, the Bank assessed whether there was objective evidence that financial assets not carried at fair value through profit or loss were impaired. A financial asset was impaired when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

Objective evidence that financial assets were impaired included:

- 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 considered evidence of impairment for loans and advances 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 were assessed for

specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that were not individually significant were collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Bank used statistical modeling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than was suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries were regularly benchmarked against actual outcomes to ensure that they remained appropriate.

Impairment losses on assets measured at amortized cost were 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 were renegotiated or modified or an existing financial asset was replaced with a new one due to financial difficulties of the borrower, then an assessment was made of whether the financial asset should be derecognized. If the cash flows of the renegotiated asset were substantially different, then the contractual rights to cash flows from the original financial

asset were deemed to have expired. In such case, the original financial asset was derecognized and the new financial asset was recognized at fair value.

- The impairment loss before an expected restructuring was measured as follows. If the expected restructuring will not result in de-recognition of the existing asset, then the estimated cash flows arising from the modified financial asset were 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 de-recognition of the existing asset, then the expected fair value of the new asset was treated as the final cash flow from the existing financial asset at the time of its de-recognition. This amount was discounted from the expected date of de-recognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses were recognized 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 continued to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

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

3.4.8 Assets carried at amortized cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognized in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Bank could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss was recognized in profit or loss.

3.4.9 (e) Derecognition of financial assets and liabilities

The derecognition policies for financial

assets and liabilities have not changed on the adoption of IFRS 9.

3.5 Financial Liabilities

i) Classification

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost.

ii) Measurement

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

iii) Derecognition

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

3.6 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