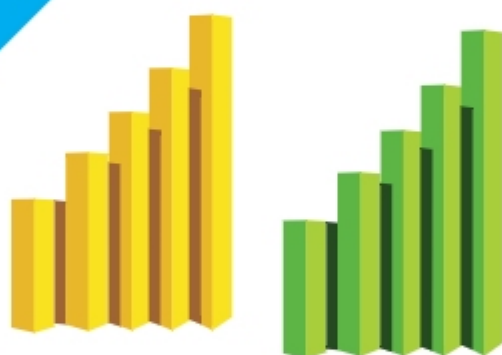




ABOKOBI AREA RURAL BANK LTD.



2023

ANNUAL REPORT & FINANCIAL STATEMENTS



2023

Annual

Report

& FINANCIAL

STATEMENTS

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Lawyer Naa Odofoley Nortey
Mrs. Magdalene Dedo Mawusi
Prof. John Kwaku Mensah Mawutor
Mr. Robert Gyeke-Darko

Chairperson
Vice-Chairperson Member
Member
Member

KEY MANAGEMENT TEAM

John Ametepe Aheto
Bright Peace Aleawonor
Mabel Nartey
Emmanuel Boadu
Samuel Affum
Samuel Yeboah

Chief Executive Officer
Head of Accounts
Head of Credit
Internal Audit Manager
Risk and Compliance Manager
Head of IT

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Head Office
Abokobi, Greater Accra Region
P. O. Box LG 20
Legon, Accra

INDEPENDENT AUDITOR

Deon & Noed International
(Chartered Accountants)
P. O. BOX KN 3618
Kaneshie - Accra.
Tel: +233(0)27-779 99 99

BANKERS

ARB Apex Bank Limited
GCB Bank Limited

COMPANY REGISTRATION NUMBER

C – 25438

COMPANY TAX IDENTIFICATION NUMBER

C0005154383

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 32nd Annual General Meeting of Shareholders of ABOKOBI AREA RURAL BANK LIMITED will be held at the Presbyterian Church of Ghana, Zimmerman Memorial Congregation Abokobi, Ga East District, on Saturday 28th September, 2024 at 11:30 am to transact the following ordinary business:

AGENDA

1. To read the Notice convening the meeting
2. To receive the Report of the Chairperson.
3. To receive and consider the Financial Statements for the year ended 31st December 2023, together with the Reports of the Directors and Auditors thereon
4. To authorize the Directors to fix the remuneration of the Auditors.
5. To approve the remuneration of the Directors.
6. To elect Directors retiring by rotation

BY ORDER OF THE BOARD

NOTE: A member is entitled to attend and vote at the meeting, or to appoint a proxy to attend and vote in his or her stead. A proxy need not be a member of the bank. A completed proxy form is attached to the accounts, and should be lodged with the Chief Executive Officer, Abokobi Area Rural Bank Ltd, at the Bank's Head Office, Abokobi, or electronically to info@abokobiarearuralbankltd.com, not less than 48 hours before the meeting.

Dated this 15th day of August, 2024

BY ORDER OF THE BOARD

CHAIRPERSON'S REPORT

Distinguished Shareholders, Board of Directors, all invited guests, staff of Abokobi Area Rural Bank, the Media, Ladies and Gentlemen, it is my pleasure to welcome you to the 32nd Annual General Meeting of Abokobi Area Rural Bank Ltd, to review our financial performance for the year ended 31st December 2023.

The banks good performance in 2023 shows the dedication, resilience and commitment of our Management team and Staff to deliver on their on their set target in the midst of a turbulent financial environment. It is also a testimony to our cherished customers and communities that they have faith in us with their continued patronage of our services and we are immensely grateful.

On behalf of the Board, Management and Staff, I take this opportunity to thank our very esteemed Shareholders, and customers, who in various ways and capacities have kept faith with the bank over the years. With your continued support and partnership, we promise to keep on delivering to you good and even improved results.

Let me extend my sincere appreciation to the Bank of Ghana, the ARB Apex Bank PLC, The Association of Rural Banks Ghana, colleagues from other Banks and all other Stakeholders for their unwavering support. Your Bank recorded a Profit Before Tax (PBT) of GH¢808,687 in 2023 as compared with a GH¢769,303 recorded in 2022 representing 5.07 % over the 2022 performance. The Board and Management are working hard to maximize the financial returns to our cherished shareholders.

During the year under review, Directors participated in various capacity-building training programs which included AML/ CFT (Anti- money laundering and Countering Financing of Terrorism), Corporate Governance Directives, and Risk Management Guidelines. The board inspires Directors to continue development to build capacity to perform their role as Directors effectively.

Mr. Solomon Odartey joined the Board in September 2024 after receiving his approval from the Bank of Ghana. Three other Directors left the Board, one resigned to take up higher office in Academia, one retired and the other is yet to receive approval from BOG. As a result of this the Board had four members after the first half of the year 2023. This prompted us to convene an elective EGM in July this year at which forum Mrs. Elizabeth Selorm Korsaa, Davis Kojo Akorli, Prof Isaac Boadi and Dr Patrick Ofori were elected, pending BOG approval. This became necessary in view of the fact that in

accordance with section 325 of the Companies Act, 2019 (Act 992) and in line with the Corporate Governance Directive for Rural and Community Banks issued by BoG in March 2022, the following Directors will be retiring and are not eligible for re-election, myself and Magdalene Dedo Mawusi. Robert Gyeke-Darko is retiring by rotation and

offers himself up for re-election. I would personally like to thank you all for the support you have given me during my tenure as a director of our esteemed bank and Chair. Even though I am retired from the Board, I remain a member of the family as a shareholder and will continue to support the growth of our bank.

Ladies and Gentlemen, your bank continues to respond proactively to issues pertaining to the needs of the communities in and around our catchment areas by engaging in open dialogue to build trust and long-term business relationships. In line with our Corporate Social Responsibilities (CSR), we contributed in supporting some communities in our operational areas. Noteworthy among the activities undertaken during the year under review is the usual support to the National Farmers Day celebration. In terms of our support for the health sector, we made some donations to the Pantang Hospital as well as other education related supports.

Distinguished shareholders, Ladies and Gentlemen, overall, our bank succeeded in pursuing its objectives despite the challenging business environment in 2023. The fundamentals of our Bank remain strong and with a positive economic outlook, a refocus on building a stronger relationship with our customers and with a dedicated and motivated staff, we look forward to better prospects in 2024. I wish to once again express my appreciation to all our valued customers, who have remained loyal to us, and you, our esteemed shareholders who remain our backbone.

The Board appreciates the commitment and dedication of all the staff of the Bank. We however wish to remind our shareholders of the need to increase their share values particularly those with share values less than GHS100.00 to strengthen the banks equity position. We are optimistic that by leveraging on our strengths, we will continue to meet the expectations of our customers, and thereby continue to create value for our dear Shareholders.

Best wishes.

.....

Naa Odofoley Nortey
Board Chairperson

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and fair presentation of the financial statements, comprising the Statement of Comprehensive Income for the year ended **31st December, 2023**, the Statement of Financial Position as at **31st December, 2023**, the Statement of Changes in Equity and the Statement of Cash Flows for the year ended, and other explanatory Notes in accordance with International Financial Reporting Standards (IFRS) adopted by the Institute of Chartered Accountants, and the Bank and Specialized Deposit-Taking Institution Act, 2016 (Act 930).

The Directors are required to ensure that adequate accounting records are maintained so as to disclose at reasonable adequacy, the financial position of the Bank. They are also responsible for steps to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities. They must present financial statements for each financial year, which give a true and fair view of the affairs of the Bank, and the results for that period. In preparing these financial statements, they are required to:

- Select suitable accounting policies and apply them on a consistent basis using reasonable and prudent judgment.
- State whether the Companies Act, 2019 (Act 992), the Bank and Specialized Deposit-Taking Institution Act, 2016 (Act 930), and International Financial Reporting Standards ("IFRS") have been adhered to and explain material departures thereto.
- Use the going concern basis unless it is inappropriate.

The Board acknowledges its responsibility for ensuring the preparation of the annual financial statements in accordance with IFRS and the responsibility of external auditors to report on these financial statements. The Board is responsible for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management. Nothing has come to the Board's attention, to indicate any material breakdown in the functioning of the internal controls and systems during the period under review, which could have a material impact on the business of the Bank.

The financial statements are prepared from the accounting records on the basis of consistent use of appropriate records supported by reasonable and prudent judgments and estimates that fairly present the state of affairs of the Bank. The financial statements have been prepared on a going concern basis and there is no reason to believe that the Bank will not continue as a going concern in the next financial year.

The Directors confirm that in preparing the financial statements, they have:

- selected suitable accounting policies and applied them consistently.
- made judgments and estimates that are reasonable and prudent
- followed the International Financial Reporting Standards
- prepared the financial statements on the going concern basis

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and to enable them to ensure that the financial statements comply with the Companies Act, 2019 (Act 992). They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE DIRECTORS

TO THE MEMBERS OF ABOKOBI AREA RURAL BANK LTD.

The Directors are pleased to present their report together with the audited financial statements for the year ended **31st December, 2023**, which disclose the state of the affairs of **Abokobi Area Rural Bank Limited** (the “Bank”).

FINANCIAL RESULTS

The financial results for the year ended 31st December 2023 are set out below:

	2023	2022
	GHC	GHC
Profit (Loss) before Tax	808,687	769,303
Income Tax Expense	(190,526)	(121,203)
Growth & Sustainability Levy	<u>(40,434)</u>	-
Profit (Loss) after tax	577,727	648,100
Account Brought Forward	1,096,061	725,480
Prior Year Adjustment	<u>(9,236)</u>	-
Balance before Statutory and Other Transfers	1,664,552	1,373,580
Transfer to Statutory Reserves	(144,432)	(81,012)
Additional transfer to Statutory reserves	-	(81,012)
Transfer to Stated Capital (Bonus Issue)	<u>(143,857)</u>	<u>(115,495)</u>
Leaving a Balance on Retained Earnings of	<u>1,376,263</u>	<u>1,096,061</u>

The Directors consider the state of affairs of the Bank to be satisfactory.

GOVERNANCE FRAMEWORK

The primary objective of the Bank’s risk and financial management framework is to protect the Bank’s stakeholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Management recognises the importance of having an effective and efficient risk management system in place.

PRINCIPAL ACTIVITIES

The principal activity of the Bank is the provision of banking and related services including taking of deposits and lending money. There was no change in the principal activity of the Bank during the year. The Bank operates under the Banks and Specialised Deposit-Taking Institution Act, 2016 (Act 930). The Bank is regulated by the Bank of Ghana.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any adjusting events after the reporting period.

DIVIDEND

The Board of Directors recommend a dividend payment of approximately GHS144,431.75, being bonus share, and represents 2 pesewas (GP 2.0) per share.

REPORT OF THE DIRECTORS

TO THE MEMBERS OF ABOKOBI AREA RURAL BANK LTD. CONTINUED

The external auditors are responsible for independently reviewing and reporting on the Bank's financial statements for the year. The financial statements have been reviewed by the Bank's external auditors and their report is presented on **pages 10 to 14**.

Messrs Deon & Noed International (DNI), Chartered Accountants, have satisfied the relevant corporate governance rules on their tenure in office and have indicated their willingness to continue in office as Auditors to the Company. Deon & Noed International (DNI) will continue in office in accordance with the provisions of Section 139 (11) of the Companies Act, 2019 (Act 992) and in accordance with the directives of the Bank of Ghana.

AUDIT FEES

The amount payable for the 2023 statutory audit is **GHC42,500.00**, inclusive of tax.

CORPORATE SOCIAL RESPONSIBILITIES (CSR)

In furtherance of its Corporate Social Responsibility, the Bank supported initiatives totalling **GHC24,350** (2022: GHC7,000) to cover activities in the Bank's key areas of concern, namely health, education, and the environment.

RELATED PARTY TRANSACTIONS AND DIRECTORS' INTEREST

There were no related party transactions for the audit period.

APPROVAL OF FINANCIAL STATEMENTS

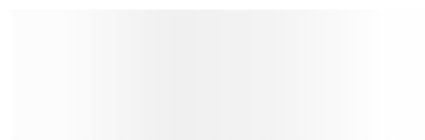
The financial statements for the year set out on **pages 22 to 72**, which have been prepared on the going concern basis, were approved by the Board of Directors and signed on their behalf as follows:

APPROVED BY ORDER OF THE BOARD



.....
Lawyer Naa Odofoley Nortey
Board Chairperson

29th April, 2024
Date:



.....
Magdalene Mawusi Dedo
Board Vice-Chairperson

29th April, 2024
Date:

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ABOKOBI AREA RURAL BANK LTD.

Opinion

We have audited the Financial Statements of Abokobi Area Rural Bank Limited, set out on pages 14 to 69, which comprise the Statement of Financial Position at 31st December 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended, the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, these financial statements give a true and fair view of the financial position of Abokobi Area Rural Bank Limited at 31st December 2023, and of its financial performance and cash flow for the year ended in accordance with the International Financial Reporting Standards (IFRS), the requirements of 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 section of our report dealing with the Auditors' Responsibilities for the Audit of the Financial Statements.

We are independent of the Bank in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Ghana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of financial statements in Ghana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter Paragraph

In December 2022, the Government of Ghana through the Ministry of Finance launched a Domestic Debt Exchange Programme (DDEP) and begun discussions with bondholders.

Following the DDEP, the bank's investment of GH¢10,081,586.00 in bonds became a subject of impairment due to the rescheduling of the maturity of the affected Bonds such that the term of the investment became longer than the original arrangement.

In view of this, the term of the bond has been renegotiated to include a Paid-In-Kind (PIK) Agreement which will take care of the time value of money at a 4%+ arrangement as reflected in Note 18(b) This arrangement is a feature of debt that allows interest expense to be accrued for a set number of years and paid on maturity; rather than be paid in cash in the current period.

Our opinion is not modified with respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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, we provide a description in that context, how our audit addressed the matter.

Revenue Recognition

As disclosed in Note 8(a), interest income amounted to GH¢8,180,911 for the year under review. Revenue is recognized and recorded in the financial statements on the accrual basis, and to the extent that it is probable that economic benefits will flow to the Bank and the related revenue can be reliably measured.

Majority of the Bank's revenues were derived from rate sensitive assets and the reliability and accuracy of such revenues relate in a large measure to the financial profile and features of such assets.

How our Audit Addressed the Key Audit Matter

We evaluated sampled loan agreements and investment certificates issued at either side of the reporting date and assessed whether the related revenues were recognized in the correct reporting period.

We checked reasonableness and accuracy, by re-computing interest income earned on investment during the year. We verified that interest was not accrued on non-performing loans. We also performed analytical procedures, looking particularly at the trend in the historical interest income and ascertained reasons for any significant differences.

Also, we considered the adequacy of the Bank's disclosures in respect of revenue.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors and the Corporate Governance Report, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's responsibilities for the Audit of 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 judgement 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 the directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or 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.

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

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

From the matters communicated with those charged with governance we determine those matters that were of most significance in the audit of the financial statements of the current year 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

In accordance with the Seventh Schedule of the Companies Act, 2019 (Act 992) we expressly state that:

1. We have obtained the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit.
2. In our opinion:
 - proper books of accounts have been kept by the Bank, so far as appears from our examination of those books.
 - the information and explanations given to us, were in the manner required by Companies Act, 2019 (Act 992) and give a true and fair view of the:
 - a) Statement of Financial Position of the Bank at the end of the financial year, and
 - b) Statement of Comprehensive income for the financial year.
3. The Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the accounting records and returns.
4. We are independent of the Bank, pursuant to section 143 of the Companies Act, 2019 (Act 992).

The Banks and Specialized Deposit-Taking Institution Act, 2016 (Act 930) requires that we state certain matters in our report. We hereby state that:

1. We confirm that the accounts give a true and fair view of the state of the affairs of the Bank and the results of operations for the year under review.
2. We were able to obtain all the information and explanation required for the efficient performance of our duties as auditors.
3. We confirm that the transactions of the entity were within the powers of the Bank.
4. In our opinion, the Bank has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), as amended by the Anti-Money Laundering (Amendment) Act, 2014 (Act 874), the Anti-Terrorism Act, 2008 (Act 762) and Regulations made under these enactments.

The Bank has generally complied with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930)

The engagement partner on the audit resulting in this independent auditor's report is Dr. Christopher Kwame Sokpor (ICAG/P/1096)

.....
Deon & Noed International- (ICAG/F/2024051)
Chartered Accountants
C1-69 London Street
P.O. Box KN 3618
Lakeside Estate
Accra, Ghana

Date **29th April, 2024**

CORPORATE GOVERNANCE REPORT

Abokobi Area Rural Bank Limited is committed to strong corporate governance practices that allocate rights and responsibilities among the Bank's shareholders, the Board and Management to provide effective oversight and management of the Bank in a manner that enhances shareholder value and promotes investors' confidence. The Bank's corporate governance principles are contained in several corporate documents. The Board oversees the conduct of the Bank's business and is primarily responsible for providing effective governance over the Bank's key affairs, including the appointment of Management, approval of business strategies, evaluation of performance, and assessment of major risks facing the Bank. In discharging its obligations, the Board exercises judgment in the best interest of the Bank and relies on the Bank's Management to implement approved business strategies, resolve day-to-day operational issues, keep the Board informed, maintain and promote high ethical standards. The Board delegates authority in management matters to the Bank's Management subject to clear instructions in relation to such delegation of authority and the circumstances in which Management shall be required to obtain Board approval prior to taking a decision on behalf of the Bank. The Board is made up of majority Non-Executive Directors.

The Board of Directors

The Board is responsible for setting the Bank's strategic direction, for leading and controlling the Bank and for monitoring activities of the Management. The Board presents a balanced and understandable assessment of the Bank's progress and prospects.

The Shareholders are represented mainly as Non-Executive Directors on the Board. These Directors oversee, direct, and control Management implementation of the Board's strategic objectives and vision of the Bank.

The Board consists of a Non-Executive Chairperson and six (6) Non-Executive Directors. The Directors are independent of Management and free from any constraints, which could materially interfere with the exercise of their independent judgment. They have the requisite experience and knowledge of the industry, markets, financial, and other business information to make a valuable contribution to the Bank's progress. The Chief Executive Officer (CEO) is a separate individual from the Chairman and he implements the management strategies and policies approved by the Board. The Board meets at least four (4) times in a year.

Board subcommittees

By resolution, the Board established five (5) committees in the performance of its mandate. These committees are:

- Finance and Administration Committee
- Loans Committee
- Audit, Risk and Compliance Committee
- Information Technology and Cyber Security Committee
- Disciplinary Committee

These committees hold regular meetings to consider first-hand Management's recommendations to the full Board for consideration and approval. The composition and the respective duties of the committees are set out below:

Finance and Administrative Committee

The Finance and Administrative Committee comprises five (5) Non-Executive Directors, one of whom shall be the Chairperson, the General Manager, Accountant and Human Resource Manager. This Committee is responsible for the handling of all financial, administration and operational issues and report to the Board. The committee is also responsible for determining the broad financial policy and capital plan of the bank as well as reviewing and advising on the financial operations, budgeting, and liquidity positions of the bank.

Loans Committee

The Loans Committee comprises four (4) Non-Executive Directors. It is responsible for determining the broad lending policy, loan performance monitoring, and recovery of the Bank. It also reviews and advises on the financial operations, budgetary issues, and liquidity of the Bank. It approves all credits within the limits set for it by the Board and recommends to the Board for approval what is beyond their powers.

Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee comprise three (3) Non-Executive Directors. It is responsible for authorizing, directing, and reviewing the program of the Internal Auditor. It also ensures and reviews the Bank's compliance with financial and risk management control systems and reviews the current statutory and audit reports. Another important function of the Committee is its review of the risk and compliance reports of the Bank, review of any internal investigations by the Internal Auditor into matters where there is suspected fraud or irregularity or failure of internal control systems of material nature and report the matter to the Board. It also reviews with management, external and internal auditors, the adequacy of internal control systems, review the appointment, removal, and terms of remuneration of the head of Internal Audit. It recommends the appointment and removal of external auditors, fixes their fees, and also approves payments for any other services rendered by them.

Information Technology (IT) and Cyber Security Committee

The IT Supervisory Committee comprises three (3) Non-Executive Directors with one (1) additional Consultant and it is responsible for the following:

- Approving IT Strategy, Policy Documents and ensure that the IT Strategy is aligned with the Business Strategy of the Bank.
- Ensures that investments in IT represent a balance of risks and benefits for sustaining Bank's growth and within the acceptable budget.
- Monitors IT resources required to achieve strategic goals and provide high-level direction for sourcing and use of IT resources.
- Oversees implementation of processes and practices and ensuring that maximum value is delivered to business and that IT related risks are identified and managed accordingly.
- Ensures that all critical projects have a component for 'project risk management' from IT perspective (by defining project success measures and following up progress on IT projects).
- Defines and ensures effective implementation of standards of IT Governance, Business Continuity and Data Governance.
- Ensures that there is an appropriate framework of information security risk assessment within

Disciplinary Committee

The roles and responsibilities of the Disciplinary Committee are as follows:

- In the event where acts or practices that are not in compliance with laws, accepted banking practices, the Bank's Ethical Principles and core values of the Bank are identified and investigated and ensure that appropriate administrative sanctions as set out in the Personnel Manual are applied accordingly.
- Ensuring that employees are committed to the Bank's Ethical Principles in their acts and actions; carrying out oversight duties with respect to such commitment; acting as the advocate of the Bank's Ethical Principles across the Bank and with respect to the employees and clients of the Bank.
- Taking precautions with respect to all acts and practices that may lead to the Bank's reputation and image being harmed in view of laws, public opinion and customers; announcing such precautionary measures throughout the Bank.

Code of Business Ethics

Management has communicated the principles in the Bank's Code of Conduct to its employees in the discharge of their duties. This code sets out the professionalism and integrity required for the Bank's operations which covers compliance with the laws, conflicts of interest, environmental issues, reliability of financial reporting, bribery, and strict adherence to the principles so as to eliminate the potential for malpractices.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2023
(All amounts are expressed in Ghana Cedi unless otherwise stated)

	Notes	2023	2022
Interest Income	8	10,511,518	8,180,911
Interest Expense	9	<u>(1,557,576)</u>	<u>(1,271,008)</u>
Net Interest Income		8,953,942	6,909,903
Commission and Fees	10	749,616	884,880
Other Operating Income	11	<u>451,643</u>	<u>297,914</u>
Total Operating Income		10,155,201	8,092,697
Other Operating Cost	12	(8,835,807)	(7,167,649)
Finance Cost	13	(598,441)	(314,516)
Provision for Credit Losses	14	<u>87,734</u>	<u>158,771</u>
Profit/Loss before Taxation		808,687	769,303
Income Tax Expense		190,526	121,203
Growth & Sustainability Levy		<u>40,434</u>	=
Profit/Loss after Taxation		577,727	648,100
Other Comprehensive Income		=	=
Total Comprehensive Income/Loss			
Attributable to the Shareholders		<u>577,727</u>	<u>648,100</u>
Earnings Per Share			
Basic		0.0845	0.1137
Diluted		0.0770	0.0983

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31ST DECEMBER 2023
(All amounts are expressed in Ghana Cedi unless otherwise stated)

	Notes	2023	2022
ASSETS			
Cash and Bank Balances	15	2,723,100	3,333,702
Short-Term Investments	16	22,274,853	11,480,591
Apex Bank Deposit Reserve	17	2,374,230	1,832,668
Long Term Investment	18	11,780,955	11,975,539
Loans and Advances	19	12,912,965	12,758,963
Equity Investments	20	93,564	62,314
Other Assets	21	275,319	259,448
Right Of Use Lease Assets	21a	398,625	192,321
Remittances Receivable	22	8,090	13,880
Taxation		-	21,705
Property, Plant and Equipment	23	<u>3,003,649</u>	<u>3,088,974</u>
TOTAL ASSETS		<u>55,845,350</u>	<u>45,020,105</u>
EQUITY AND LIABILITIES			
EQUITY			
Stated Capital	24	1,448,447	1,266,697
Capital Surplus	25	1,082,243	1,082,243
Statutory Reserve Fund	26	1,005,686	780,242
Building Fund Reserve	27	170,000	170,000
Retained Earnings	28	<u>1,376,263</u>	<u>1,177,073</u>
TOTAL EQUITY		<u>5,082,639</u>	<u>4,476,255</u>
LIABILITIES			
Customer Deposits	29	47,682,803	36,381,023
Term Borrowing	30	2,339,643	3,650,000
Accounts Payable	31	581,010	512,827
Taxation	32	<u>159,255</u>	<u>-</u>
TOTAL LIABILITIES		<u>50,762,711</u>	<u>40,543,850</u>
TOTAL EQUITY AND LIABILITIES		<u>55,845,350</u>	<u>45,020,105</u>

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER 2023

(All amounts are expressed in Ghana Cedi unless otherwise stated)

	2023	2022				
	Stated Capital	Capital Surplus	Retained Earnings	Building Fund	Statutory Reserve Fund	Total
Balance at 1st January	1,266,697	1,082,243	1,096,061	170,000	861,254	4,476,255
Ordinary Shares Issued	49,401	-	-	-	-	49,401
Profit for the Year	-	-	577,727	-	-	577,727
From Income Surplus (Bonus Issue)	-	-	(143,857)	-	-	(11,508)
Transfer to Statutory Reserves (S/R)	132,349	-	(144,432)	-	144,432	-
8% WHT on 2021 & 2022 Bonus Issues	-	-	(9,236)	-	-	(9,236)
Transfer to Credit Risk Reserves	-	-	-	-	-	-
Balance at 31st December	<u>1,448,447</u>	<u>1,082,243</u>	<u>1,376,263</u>	<u>170,000</u>	<u>1,005,686</u>	<u>5,082,639</u>
2022						
Balance at 1st January	1,125,932	1,082,243	725,480	170,000	699,230	3,802,885
Adoption of IFRS 9	-	-	-	-	-	-
Ordinary Shares Issued	1,125,932	1,082,243	725,480	170,000	699,230	3,802,885
Profit for the Year	25,270	-	-	-	-	25,270
Transfer to Statutory Reserves	-	-	648,100	-	-	648,100
Additional Transfer to Statutory Reserves	115,495	-	(81,012)	-	81,012	115,495
Transfer to Stated Capital	-	-	(81,012)	-	-	-
Transfer to Credit Risk Reserves	-	-	(115,495)	-	-	(115,495)
Balance at 31st December	<u>1,266,697</u>	<u>1,082,243</u>	<u>1,096,061</u>	<u>170,000</u>	<u>861,254</u>	<u>4,476,255</u>

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31ST DECEMBER 2023

(All amounts are expressed in Ghana Cedi unless otherwise stated)

	2023	2022
Cash flow from Operating Activities:		
Profit/Loss Before Tax	808,687	769,303
Add: Depreciation and Amortization	<u>361,738</u>	<u>256,166</u>
Cash Inflow before Changes in Working Capital	1,170,425	1,025,469
Increase/Decrease in Loans and Advances	(154,002)	(1,293,912)
Increase/Decrease in Other Assets	(222,175)	111,272
Increase/Decrease in Remittances	5,790	(10,650)
Increase/Decrease in Deposit	11,301,780	5,952,558
Increase/Decrease in Accounts Payable	<u>68,183</u>	<u>(214,376)</u>
Cash generated (used in)/from operations	12,170,001	5,570,361
Tax Paid	(59,236)	(36,500)
Dividend Paid	=	-
Net Cash generated from operating activities	<u>12,110,765</u>	<u>5,533,861</u>
Cash flow from Investing Activities		
Purchase of Property, Plant and Equipment	(276,414)	(423,041)
Reclassification of short term investments to long term	183,077	(11,975,539)
Investment in Equity	<u>(31,250)</u>	=
Net cash used in Investing Activities	<u>(124,587)</u>	<u>(12,398,580)</u>
Cash flow from Financing Activities		
Proceeds from Issue of Shares	49,401	25,270
Loan received	104,584	4,000,000
Net Loan Repayment	<u>(1,414,941)</u>	<u>(933,333)</u>
Net Cash flow from Financing	<u>(1,260,956)</u>	<u>3,091,937</u>
Increase/Decrease in Cash and Cash Equivalent	10,725,222	(3,772,782)
Cash and Cash Equivalent at the beginning of the yr.	<u>16,646,961</u>	<u>20,419,743</u>
Cash and Cash Equivalent at year end	<u>27,372,183</u>	<u>16,646,961</u>
Analysis of Cash and Cash Equivalents:		
Cash and Bank Balances	2,723,100	3,333,702
Apex Bank Deposit Reserve	2,374,230	1,832,668
Short-Term Investment	<u>22,274,853</u>	<u>11,480,591</u>
Balance at 31st December	<u>27,372,183</u>	<u>16,646,961</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2023
(All amounts are expressed in Ghana Cedi unless otherwise stated)

1. Reporting Entity

Abokobi Area Rural Bank Limited is a limited liability company registered in Ghana and authorised by its Regulations and a banking license issued by the Bank of Ghana to engage in the provision of banking and related services including the taking of deposits and lending of money.

The Bank is domiciled in Ghana with its Head Office and six (6) Branches located within the north-eastern part of Accra. The registered office is at Abokobi in the Greater Accra Region of Ghana.

2. Basis of Preparation

(a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in a manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and other national regulations where appropriate.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for available-for-sale financial assets which are measured at fair value.

(c) Functional and Presentation Currency

These financial statements are presented in Ghana Cedis (GH¢), which is the Bank's functional currency. All financial information presented have been rounded up to the nearest GH¢.

(d) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty, and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements. Some of the estimates and judgments are:

Going Concern

The Bank's Management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where this is not available, judgment is used to establish fair values.

Impairment Losses on Loans and Advances

The Bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, Management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually (and found not to be impaired) are assessed together with all individually insignificant loans and advances in groups of assets with similar risk characteristics. This is to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident.

Impairment of Available-for-Sale Investments

The Bank reviews its debt securities classified as available-for-sale investments at each reporting date to assess whether they are impaired. This requires a similar judgement as applied to the individual assessment of loans and advances. The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

Income Taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. Changes in Accounting Policies**Financial Assets and Liabilities**

The Bank elected, as a policy choice permitted under IFRS 9 to continue to apply hedge accounting in accordance with IAS 39. The Bank did restate comparative information for 2019 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2019 is reported under IFRS 9 and is comparable to the information presented for 2023.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity, and amortised cost) have been replaced by:

- Debt instruments at amortised cost.
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition.
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition.
- Financial assets at fair value through profit or loss (FVPL).

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and non-financial host contracts did not change. The Bank's accounting policies for embedded derivatives are in line with IFRS 9.

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit-impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

IFRS 7 Revised

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures have been updated and the Bank has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used.

Reconciliations from opening to closing ECL allowances are presented in the financial statements. IFRS 7 also requires additional and more detailed disclosures for hedge accounting even for entities opting to continue to apply the hedge accounting requirements of IAS 39.

Recognition of Interest Income**The Effective Interest Rate Method**

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVPL. Interest income on interest-bearing financial assets measured at FVOCI under IFRS 9,

similar to interest-bearing financial assets classified as available-for-sale or held to maturity under IAS 39 is also recorded by using the EIR method.

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.

The EIR (and therefore, the amortised cost of the asset) is calculated by considering any discount or premium on acquisition, fees, and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises 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 balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through interest and similar income in the income statement.

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 amortised cost of the financial asset.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

The Bank also holds investments in assets issued in countries with negative interest rates. The Bank discloses interest paid on these assets as an interest expense, with additional disclosures in the financial statements. Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and net gains/(losses) on financial assets at fair value through profit or loss, respectively.

Financial Instruments – Initial Recognition

Date of Recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, that is, the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their

fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

Day 1 Profit or Loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Measurement Categories of Financial Assets and Liabilities

The Bank has classified all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- Amortised cost
- FVOCI
- FVPL

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or FVPL when they are held for trading and derivative instruments, or the fair value designation is applied.

Due from Banks, Loans & Advances to Customers & Financial Investments at Amortised Cost

The Bank only measures Due from banks, Loans, and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise to specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined below.

Business Model Assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI Test

As the second step of its classification process, the Bank assesses the contractual terms of financial assets to determine whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than the minimum exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Derivatives Recorded at Fair Value through Profit or Loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e. the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. These include interest rate swaps, futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies, and equities.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fully collateralised derivatives that are settled net in cash on a regular basis through Goodland Clearing House are only recognised to the extent of the overnight outstanding balance. The notional amount and fair value of such derivatives are disclosed separately the financial statement. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied. Hedge accounting disclosures are provided the financial statement.

Embedded Derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative cause some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Financial Assets or Financial Liabilities Held for Trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit-taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in net trading income.

Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

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

Debt Instruments at FVOCI

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test. These instruments largely comprise assets that had previously been classified as financial investments available-for-sale under IAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for Debt instruments at FVOCI. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably, some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Debt Issued and Other Borrowed Funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date. The Bank has issued financial instruments with equity conversion rights, write-down, and call options. When establishing the accounting treatment for these non-derivative instruments, the Bank first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with IAS 32.

Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercising the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. The value of any derivative features (such as a call option) embedded in the compound financial instrument, other than the equity component (such as an equity conversion option), is included in the liability component. Once the Bank has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be separately accounted for. Disclosures for the Bank's issued debt is set out in the financial statement.

Financial Assets and Financial Liabilities at Fair Value through Profit or Loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis or
- The liabilities (and assets until 1 January 2019 under IAS 39) are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy or
- The liabilities (and assets until 1 January 2019 under IAS 39) containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial Guarantees, Letters of Credit and Undrawn Loan Commitments

The Bank issues financial guarantees, letters of credit, and loan commitments. Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and – under IAS 39 – the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee, or under IFRS 9 an ECL provision as set out in the financial statement. The premium received is recognised in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, under IAS 39, a provision was made if they were an onerous contract but, from 1 January 2018, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in the financial statement, where the loan agreed to be provided is on market terms and are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in the financial statement.

The Bank occasionally issues loan commitments at below-market interest rates drawdown. Such commitments are subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income recognised as outlined in the financial statement.

Reclassification of Financial Assets and Liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2022.

Derecognition of Financial Assets and Liabilities

Derecognition due to Substantial Modification of Terms and Conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be POCL.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in the currency of the loan.
- Introduction of an equity feature.
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded. Derecognition other than for substantial modification

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either;

- The Bank has transferred its contractual rights to receive cash flows from the financial asset or;
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;
- Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset') but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients') when all of the following three conditions are met:
 - The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
 - The Bank cannot sell or pledge the original asset other than as security to the eventual recipients;
 - The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset; or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged, 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 derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Impairment of Financial Assets

Overview of the ECL Principles

The adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Bank's policies for determining if there has been a significant increase in credit risk are set out in the financial statement.

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in the financial statement.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by

considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in the financial statement

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The bank records an allowance for the LTECLs.
- POCI: Purchased or originated credit-impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire IFRS 9 outstanding amount or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The Calculation of ECLs

The Bank calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows;

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in financial statements.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in financial statement.
- LGD the Loss Given Default is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The LGD is further explained in financial statements.

When estimating the ECLs, the Bank considers four scenarios (a base case, an upside, a mild downside ('downside 1'), and a more extreme downside ('downside 2')). Each of these is associated with different PDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, for which the treatment is separately set out, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. Provisions for ECLs for undrawn loan commitments are assessed as set out in the financial statements. The calculation of ECLs (including the ECLs related to the undrawn element) of revolving facilities such as credit cards. The mechanics of the ECL method are summarised below:

- **Stage 1:** The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the financial statement months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- **Stage 3:** For loans considered credit-impaired the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- **POCI:** POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.

Loan commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan for credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.

Financial guarantee contracts: The Bank's liability under each guarantee is measured at the higher of the amount initially IFRS 9 recognised less cumulative amortisation recognised in the income statement and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls

are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.

Debt Instruments Measured at Fair Value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Purchased or Originated Credit Impaired Financial Assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

Credit Cards and Other Revolving Facilities

The Bank's product offering includes a variety of corporate and retail overdrafts and credit card facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period but instead calculates ECL over a period that reflects the Bank's expectations of the customer behaviour, its likelihood of default and the Bank's future risk mitigation procedures, which could include reducing or cancelling the facilities.

Based on experience and the Bank's expectations, the period over which the Bank calculates ECLs for these products, is five years for corporate and seven years for retail products.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECLs for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently charged no interest.

The calculation of ECLs, including the estimation of the expected period of exposure and discount rate, is made, as explained in the financial statement on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Forward-Looking Information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Exchange rates
- Central Bank base rates
- House price indices

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided explained in the financial statement.

Collateral Valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets, and credit enhancements such as netting agreements. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same as it was under IAS 39. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. Details of the impact of the Bank's various credit enhancements are disclosed.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral Repossessed

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Write-Offs

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference

is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

4. Significant Accounting Policies

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

(a) Foreign Currency Translation

The financial statements are presented in Ghana Cedi, which is the functional currency of the Bank. Foreign currency transactions are translated into Ghana Cedi using the interbank exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated at the rate prevailing at that date. Foreign exchange gains and losses resulting from the translation and settlement of these items are recognised in the income statement.

(b) Interest

Interest revenue is generally recognised when future economic benefits of the underlying assets will flow to the organisation and it can be reliably measured. It is income derived from the use of an entity's assets and hence the interest is mostly dependent on the underlying agreement. Interest income and expense are however generally recognised in the income statement on a straight-line basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue, or disposal of a financial asset or liability.

Interest income and expense presented in the profit or loss and other comprehensive income include:

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

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in net income on other financial instruments carried at fair value in the profit or loss account.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(c) Fees and Commissions

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

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

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

Unless included in the effective interest calculation, fees and commissions are recognised on an accruals basis when the service has been provided. Fees and commissions not integral to the effective interest arising from negotiating, or participating in the negotiation of a transaction from a third party, such as the acquisition of loans, shares, or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees related to investment funds are recognised over the period the service is provided.

Commitment fees, together with related direct costs, for loan facilities where drawdown is probable are deferred and recognised as an adjustment to the effective interest on the loan once drawn. Other commitment fees are recognised over the term of the facilities.

(d) Net Trading Income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends, and foreign exchange differences.

(e) Dividend

Dividend payable on ordinary shares is charged to equity in the period in which they are declared. Dividend income is recognised in the income statement when the entity's right to receive payment is established.

(f) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the lease period. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

The total payments made under operating leases are charged to 'operating expenses' on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining

balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(g) Income Tax Expense

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

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

Deferred tax is provided using temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of 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. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(h) Cash and Cash Equivalent

Cash and cash equivalent include notes and coins on hand, deposits held at call with banks, other short terms highly liquid investments with original maturities of three months or less, including cash and non-restricted balances with the Central Bank of Ghana, amounts due from other banks and other short-term government securities.

(i) Property, Plant and Equipment

Land and buildings are shown at fair value based on periodic, but at least 3-5 years, valuations by external independent valuers less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets.

Freehold land is not depreciated. Leasehold land is amortised over the term of the lease and is included as part of property and equipment. Depreciation of other assets is calculated on the

straight-line basis to write down their cost to their residual values over their estimated useful lives, as follows:

Land and Buildings	5% per annum
Plant and Machinery	20% per annum
Office Equipment	20% per annum
Motor Vehicles	20% per annum
Computers and Accessories	20% per annum
Furniture, Fittings, and Structures	20% per annum

The Bank assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the Bank estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Subsequent costs are included in the assets carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and that the cost of the item can be measured reliably. All other costs are charged to the income statement as repairs and maintenance costs during the financial period in which they are incurred.

Increases in the carrying amount arising on the revaluation of land and building are credited to reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against reserves directly in equity; all other decreases are charged to the income statement. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount. These are recorded in the income statement.

(j) Intangible Assets

Computer Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

(k) Impairment of Non-Financial Assets

At each reporting date, property, plant and equipment, intangible assets, and investments in associates are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell.

If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(l) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as expense.

(m) Employee Benefits**(i) Retirement Benefit Obligations**

The Bank contributes to a defined contribution scheme (Social Security Fund) on behalf of employees. This is a national pension scheme under which the Bank pays 13% of qualifying employees' basic monthly salaries to a state-managed social security fund for the benefit of the employees. All employer contributions are charged to profit and loss as incurred and included under staff cost.

(ii) Short Term Benefits

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

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

(iii) Other Entitlements

The estimated monetary liability for employees' outstanding annual leave entitlement at the reporting date is recognised as an expense accrual.

(n) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

(o) Stated Capital

Ordinary shares are classified as equity. Stated capital is classified as equity where the Bank has no obligation to deliver cash or other assets to shareholders. All shares are issued at no par value. Where any company purchases the Bank's equity share capital (treasury shares), the consideration paid, is deducted from equity attributable to the Bank's equity holders until the shares are cancelled or reissued.

(p) Contingent Liabilities and Commitments

Acceptances and Letters of Credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

Financial Guarantees

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given.

Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date.

(q) Application of New and Revised Standards, Amendments and Interpretations

During the year, there were certain amendments and revisions to some of the standards. The nature and the impact of each new standard and amendments are described below. The Bank intends to adopt these standards.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

Consensus

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

IAS 1 Presentation of Financial Statements

The narrow-focus amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. In most cases the proposed amendments respond to overly prescriptive interpretations of the wording in IAS 1. The amendments relate to the following:

- Materiality;
- Order of the Notes;
- Subtotals;
- Accounting Policies; and
- Disaggregation

IAS 7 Statement of Cash Flows

The amendments come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition. The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

IAS 12 Income Taxes

The amendments in Recognition of Deferred Tax Assets for Unrealised Losses clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type

IAS 16 Property, Plant and Equipment**Clarification of Acceptable Methods of Depreciation and Amortisation**

The amended IAS 16 introduces a rebuttable presumption that revenue is not an appropriate basis for amortisation of property, plant and equipment. This presumption can only be rebutted in two limited circumstances:

1. Property plant and equipment is expressed as a measure of revenue; or
2. Revenue and consumption of the item of property, plant and equipment are highly correlated.

Guidance is introduced to explain that expected future reductions in selling prices could be indicative of a reduction of the future economic benefits embodied in an asset.

IAS 38 Intangible Assets

IAS 38 sets out the criteria for recognising and measuring intangible assets and requires disclosures about them. Intangible assets are measured initially at cost. After initial recognition, an entity usually measures an intangible asset at cost less accumulated amortisation.

IAS 40 Investment Property

The amendment provides guidance on transfers to, or from, investment properties. More specifically, the question was whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use. The IASB amended the paragraph to reinforce the principle for transfers into, or out of, investment property in IAS 40 to specify that such a transfer should only be made when there has been a change in use of the property.

IAS 19 Employee Benefits

The amendments to IAS 19 clarify that the high-quality corporate bonds to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level.

5. Financial Risk Management

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

Risk management is carried out by the Board sub-committee, Credit Committee of Management and Risk Management Department under policies approved by the Board of Directors. Risk management department identifies, evaluates and hedges financial risks in close cooperation with the operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and use of non-derivative financial instruments. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

a) Credit Risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Bank by failing to pay amounts in full when due. Credit risk is one of the most important risks for the Bank's business: management therefore carefully manages the exposure to credit risk. Credit exposures arise principally in lending and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Credit risk management and control is centralised in the credit committee, whose membership comprises executive management and head of risk, which reports regularly to the Board of Directors.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Management of Credit Risk

Credit risk exposures of the Bank are monitored closely. The Credit Committee ensures regularity of credit approvals and line utilizations authorizes disbursements of credit facilities when approval conditions are met, and perform periodical reviews of collaterals at the Bank. The Recoveries Department monitors past due exposures with a view to maximizing loan recoveries. The Credit Committee's responsibility includes:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation and structure for the approval and renewal of credit facilities. Authorisation limits are allocated to Branch Managers. Larger facilities require approval by the Head of Credit Committee or the General Manager or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. The Bank's Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- Developing and maintaining the bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of eight grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee as appropriate. Risk grades are subject to regular reviews by the bank Risk Function.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to bank Credit committee on the credit quality of local portfolios and appropriate corrective action is taken.

b) Exposure to Credit Risk**Financial Assets: Loans and advances to customers**

	2023	2022
	GH¢	GH¢
Carrying Amount	<u>13,719,588</u>	<u>13,600,594</u>
Individually Impaired:		
Grade 6: Impaired (Substandard)	352,907	206,512
Grade 7: Impaired (Doubtful)	230,779	271,714
Grade 8: Impaired (Loss)	<u>446,305</u>	<u>507,424</u>
Gross Amount	1,029,991	985,650
Allowances for Impairment	<u>(649,921)</u>	<u>(694,909)</u>
Carrying Amount	380,070	290,741
Collectively Impaired:		
Grade 1-3: Normal	12,219,954	12,385,827
Grade 4-5: Watch list	<u>338,463</u>	<u>229,117</u>
Gross Amount	12,558,417	12,614,944
Allowance for impairment	<u>156,702</u>	<u>146,722</u>
Carrying Amount	12,401,715	12,468,222
Past due but not impaired		
Grade 1-3: Normal	-	-
Grade 4-5: Watch list	-	-
Carrying Amount	<u>-</u>	<u>-</u>
Past due comprises:		
30-90 days (OLEM)	338,463	229,117
91-180 days (Substandard)	352,907	206,512
181-360 days (Doubtful)	230,779	271,714
Over 360 days (Loss)	<u>446,305</u>	<u>507,425</u>
Carrying Amount	1,368,454	1,214,768
Neither past due nor impaired:		
Grade 1-3: Normal (Current)	12,219,954	12,261,968
Grade 4-5: Watch list (Overdue>30 days)	<u>1,029,991</u>	<u>496,995</u>
Carrying Amount	<u>13,249,945</u>	<u>12,758,963</u>
Total Carrying Amount	<u>13,719,588</u>	<u>13,600,594</u>
Credit risk exposure relating to off balance sheet items are as follows:		
Contingent liabilities	-	-
Bonds and Guarantees	-	-

Impaired Loans and Securities

Impaired loans and securities are loans and securities for which the bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s). Interest on these loans is calculated and treated on non-accrual basis and portions shall only be considered when payments (settlement) are made. These loans are graded 6 to 8 in the bank's internal credit risk grading system.

Past due or Non-Performing but not Impaired Loans

Loans and securities where contractual interest or principal payments are past due or non-performing are not treated as impaired when the discounted cash flows of the forced sale value of the collateral is estimated to be more than the loan.

Loans with Renegotiated Terms

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

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

Allowances for Impairment

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

Write-Off Policy

The Bank writes off a loan/security balance (and any related allowances for impairment losses) when Credit determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer discharge the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions generally are based on a product specific past due status. Related and connected lending is not permitted to be written off.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired financial assets by risk grade.

Loans and Advances to Customers**31st December 2023**

	Gross GHS	Net GHS
Grade 6: Individually impaired (Sub-standard)	352,907	264,680
Grade 7: Individually impaired (Doubtful)	230,779	135,857
Grade 8: Individually impaired (Loss)	<u>446,305</u>	<u>-</u>
Total	<u>1,029,991</u>	<u>400,537</u>

31st December 2022

	Gross GHS	Net GHS
Grade 6: Individually impaired (Sub-standard)	206,512	154,884
Grade 7: Individually impaired (Doubtful)	271,714	135,857
Grade 8: Individually impaired (Loss)	<u>507,424</u>	<u>-</u>
Total	<u>985,650</u>	<u>290,741</u>

Collateral of Impaired Exposures

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral is not normally held for loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is not usually held against investment securities, and no such collateral was held at 31 December 2022 or 2023.

Repossessed Collateral

There were no repossessed assets as at 31 December 2023 (2022: Nil).

LIQUIDITY RISK MANAGEMENT

Financial Assets	Up to 1 Month	1-12 Months	1-5 Years	Non-Interest Bearing	Total
At 31 December 2023					
Cash and Bank Balances	2,723,100	-	-	-	2,723,100
Short-Term Investment	6,000,000	16,274,853	-	-	22,274,853
Long-Term Investment	-	-	10,311,242	1,469,713	11,780,955
Apex Bank Deposit Reserve	2,374,230	-	-	-	2,374,230
Loans and Advances	-	4,511,396	9,208,193	-	13,719,588
Equity Investment	-	-	-	93,564	93,564
Other Assets	-	-	-	673,944	673,944
Remittances Receivable	=	=	=	8,090	8,090
Total Financial Assets	<u>11,097,330</u>	<u>20,786,249</u>	<u>19,519,435</u>	<u>2,245,311</u>	<u>53,648,324</u>
Financial Liabilities					
Customers Deposits	38,494,693	9,188,110	-	-	47,682,803
Term Borrowings	-	2,339,643	-	-	2,339,643
Account Payable	=	581,010	=	=	581,010
Total Financial Liabilities	<u>38,494,693</u>	<u>12,108,763</u>	<u>=</u>	<u>=</u>	<u>50,603,456</u>
Total Finance Gap	<u>(27,397,363)</u>	<u>8,677,486</u>	<u>19,519,435</u>	<u>2,245,311</u>	<u>3,044,868</u>
At 31 December 2022					
Total Financial Assets	7,666,370	23,945,586	7,068,196	465,648	39,145,800
Total Financial Liabilities	<u>36,381,023</u>	<u>3,650,000</u>	=	<u>512,827</u>	<u>40,543,850</u>
Total Finance Gap	<u>(28,714,653)</u>	<u>20,295,586</u>	<u>7,068,196</u>	<u>(47,179)</u>	<u>(1,398,050)</u>

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

	2023	2022
Cottage Industry	42,835	106,352
Agriculture	-	161,547
Transport	669,304	775,381
Commerce	2,952,162	2,390,667
Others	<u>10,055,287</u>	<u>10,166,647</u>
	13,719,588	13,600,594
Less: Provision for Credit Losses	<u>806,623</u>	<u>841,631</u>
	<u>12,912,965</u>	<u>12,758,963</u>

a) Credit Risk

The Bank is exposed to credit risk, which is the risk that counterparty will be unable to pay amounts in full when they fall due. The Bank is exposed to counter party risk on cash and cash equivalents, amounts due from financial institutions and other receivable balances. It is also exposed to other credit risks arising from investments in debt securities.

The maximum exposure to credit risk before any credit enhancements at **31st December 2023** is the carrying amount of the financial assets as set out below:

Financial Assets	2023	2023	2022	2022
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Bank Balances	2,723,100	2,723,100	6,998,407	3,333,702
Short Term Investment	23,000,000	21,549,706	12,000,000	11,480,591
Apex Bank Deposit Reserve	2,374,230	2,374,230	1,832,668	1,832,668
Long Term Investment	11,644,863	11,864,979	10,033,606	11,975,539
Loans and Advances	13,719,588	12,825,232	13,600,594	12,758,963
Other Assets	1,485,588	673,944	1,334,616	451,769
Remittances Receivable	8,090	8,090	13,880	13,880
	54,955,460	52,019,281	45,813,771	41,847,112

A provision of **GH¢806,623** has been made on Loans and Advances in accordance with Bank of Ghana requirements (2022: GH¢841,631).

b) Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash-settled contingencies. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank of Ghana requires that the Bank maintain a cash mandatory reserve ratio. In addition, the Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The Finance department monitors liquidity ratios on a daily basis.

Liquidity management within the Bank has several strands. The first is day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or as they are borrowed by customers. The Bank maintains an active presence in Ghanaian money markets to facilitate that. The second is maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow. Finally, the ability to monitor, manage and control intra-day liquidity in real time is recognised by the Bank as a

mission critical process: any failure to meet specific intra-day commitments would be a public event and may have an immediate impact on the Bank's reputation.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month as these are key periods for liquidity management. In addition to cash flow management, Treasury also monitors unmatched medium-term assets and the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as commercial letters of credit and guarantees.

Finance Committee develops and implements the process for submitting the bank's projected cash flows to stress scenarios. The output of stress testing informs the Bank's contingency funding plan. This is maintained by the Finance Committee of the Bank and is aligned with the country business resumption plans to encompass decision-making authorities, internal and external communication and, in the event of a systems failure, the restoration of liquidity management and payment systems. Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, provider, product and term.

An important source of structural liquidity is provided by our core private deposits, mainly term deposit, current accounts and call deposit. Although current accounts and call deposits are repayable on demand, the bank's broad base of customers – numerically and by depositor type – helps to protect against unexpected fluctuations. Such accounts form a stable funding base for the bank's operations and liquidity needs.

To avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are also carefully managed. Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence. Such confidence is based on a number of factors including the bank's reputation, the strength of earnings and the bank's financial position.

c) Market Risk

Market risk is the risk that changes in market prices, which include currency exchange rates, interest rates, commodity prices and equity prices, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risk rests with the Finance Committee.

Impact on Net Interest Income

The effect on interest of a 250-basis point change would be as follows:

	+250 Basis Points 2023	-250 Basis Points 2023	+250 Basis Points 2022	-250 Basis Points 2022
Interest Income Impact	10,774,306	10,248,730	8,385,434	7,976,388
Interest Expense Impact	1,596,515	1,518,637	1,302,783	1,239,233
Effect on Expense Impact	9,177,791	8,730,093	7,082,651	6,737,155

d) Operational Risks

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

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

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

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

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

Regulatory Disclosure

Loan Classification by Status:	2023	2022
Gross Loan per BoG classification	13,719,588	13,600,594
Performing Loans	12,219,954	12,758,963
Non-Performing Loans	1,029,991	985,650
NPL	7.51%	7.25%
Capital Adequacy Ratio (CAR)	20.31%	15.77%
Liquidity Ratio	6%	9.16%
50 Largest Exposure to Total Exposure	14.51%	16.35%

f) Capital Management

Regulatory Capital

The Bank of Ghana sets and monitors capital requirements for the bank. The parent company and individual banking operations are directly supervised by their local regulators.

In implementing current capital requirements, Bank of Ghana requires the bank to maintain a prescribed ratio of total capital to total risk-weighted assets. The bank calculates requirements for market risk in its trading portfolios based upon the Bank's VaR models and uses its internal grading as the basis for risk weightings for credit risk. The bank is also required to maintain a credible capital plan to ensure that capital level of the bank is maintained in consonance with the bank's risk appetite.

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

Tier 1 Capital, which includes ordinary share capital, share premium, perpetual bonds (which are classified as innovative Tier 1 securities), retained earnings, translation reserve and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 Capital, which includes qualifying subordinated liabilities, and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available for-sale. Various limits are applied to elements of the capital base. Qualifying Tier 2 Capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of Tier 1 Capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regulatory items.

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

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

The bank or and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the bank's management of capital during the period.

Regulatory Capital

Tier 1 capital (core capital): stated capital, share premium, income surplus, and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital (supplementary capital): 25% (subject to prior approval) of revaluation reserves and other reserves, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

There have been no material changes in the bank's management of capital during the period. The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheets, are:

- To comply with the capital requirements set by Bank of Ghana;
- To safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Ghana for supervisory purposes. The required information is filed with Bank of Ghana on a monthly basis.

f) Capital Management (continued)

The table below summarises the composition of regulatory capital and ratios at 31 December 2023:

Regulatory Capital	2023	2022
Tier 1 Capital		
Ordinary Share Capital	1,448,434	1,266,697
Statutory Reserve	1,005,686	780,242
Retained Earnings	1,376,263	1,177,073
Intangible Assets	191,151	-
Preference Shares	13	13
Other Regulatory Adjustments	<u>170,000</u>	<u>170,000</u>
Total	4,191,547	3,394,025
Tier 2 Capital		
Fair value Reserve available for:		
Equity securities	(93,564)	(62,314)
Revaluation Reserves	<u>1,082,243</u>	<u>1,082,243</u>
Total	<u>5,180,226</u>	<u>4,413,954</u>
Risk-Weighted Assets		
On-Balance Sheet	18,087,502	22,659,379
Off-Balance Sheet	—	—
Total Risk Weighted Capital	18,087,502	22,659,379
50% on NOP	-	-
100% of 3years average gross profit	<u>7,415,919</u>	<u>5,337,334</u>
Adjusted Asset Base	<u>25,503,421</u>	<u>27,996,713</u>
Capital Ratios		
Total Regulatory Capital expressed as a % of Total Risk-Weighted Assets	20.31%	15.77%
Total Tier 1 Capital expressed as a % of Total Risk-Weighted Assets	16.44%	12.12%

Capital Allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities

. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by the Credit Committee.

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

6. Operating Segments

Segment information is presented in respect of the Bank's business segments. The primary format, business segments, is based on the Bank's management and internal reporting structure.

Business segments pay and receive interest to and from the Central Treasury on an arm's length basis to reflect the allocation of capital and funding costs.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

7. Fair Values of Financial Assets and Liabilities

The following table summarises the carrying amounts of those financial assets and liabilities not presented in the Bank's statement of financial position at their fair value. Nonetheless, due to the rather short-term nature of the financial assets and financial liabilities, their fair values approximate the carrying amounts.

	2023	2023	2022	2022
Financial Assets	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and Bank Balances	2,723,100	2,723,100	6,998,407	3,333,702
Short Term Investment	23,000,000	21,549,706	12,000,000	11,480,591
Apex Bank Deposit Reserve	2,374,230	2,374,230	1,832,668	1,832,668
Long Term Investment	11,644,863	11,864,979	10,033,606	11,975,539
Loans and Advances	13,719,588	12,825,232	13,600,594	12,758,963
Other Assets	1,485,588	673,944	1,334,616	451,769
Remittances Receivable	<u>8,090</u>	<u>8,090</u>	<u>13,880</u>	<u>13,880</u>
	<u>54,955,460</u>	<u>52,019,281</u>	<u>45,813,771</u>	<u>41,847,112</u>

Financial Liabilities

Customer Deposits	47,701,486	47,701,486	30,428,464	36,381,023
Term Borrowings	2,339,644	2,339,644	583,333	3,650,000
Accounts Payable	<u>1,814,075</u>	<u>512,706</u>	<u>1,224,589</u>	<u>512,827</u>
	<u>51,855,204</u>	<u>50,553,836</u>	<u>32,236,387</u>	<u>40,543,850</u>

(i) Loans and Advances to Other Financial Institutions

Loans and advances to other financial institutions include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value.

The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Loans and Advances to Customers

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

(iii) Government Securities

The fair value for loans and receivables and held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. Government securities (held-to-maturity) disclosed in the table above comprise only those securities with more than 180 days to maturity and were classified held to maturity. The fair value for these assets is based on estimations using market prices and earnings multiples of quoted securities with similar characteristics. All other government securities are already measured and carried at fair value.

(iv) Deposits from Banks and Due to Customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount of approximates their fair value.

(v) Off-Balance Sheet Financial Instruments

The estimated fair values of the off-balance sheet financial instruments are based on markets prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

(vi) Fair Value Hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, The Ghana Stock Exchange).
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of Bank of Ghana's securities and other derivative contracts.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

a) Fair Value Hierarchy

This hierarchy requires the use of observable market data when available. The Bank considers relevant observable market prices in its valuation where possible. There has been no movement of financial instruments between different levels in the current year. Financial instruments measured at fair value at 31 December were classified as follows:

2023	Level 1	Level 2	Level 3	Total
Financial Assets				
Equity Investments	-	-	93,564	93,564
2022				
Financial Assets				
Equity Investments	-	-	62,314	62,314

8(a) Interest Income	2023	2022
Loans and Advances	4,664,627	4,093,661
Add: Interest in arrears (Note 8(b))	<u>49,944</u>	<u>195,953</u>
	4,714,571	4,289,614
Government Securities & Other Investments	<u>5,796,947</u>	<u>3,891,297</u>
	<u>10,511,518</u>	<u>8,180,911</u>

(b) Interest in Arrears	2023	2022
Interest in Arrears	462,977	291,772
Less: Interest Suspense.	<u>(494,239)</u>	<u>(273,090)</u>
Unrealised Interest Income	(31,262)	18,682
Balance b/d	<u>(18,682)</u>	<u>(214,635)</u>
Interest Income now realised	<u>(49,944)</u>	<u>(195,953)</u>

Interest in arrears is the balance of interest on non-performing loans recognized in the Total Interest Income on Loans and Advances. According to the Guide for reporting institutions (2005), Guide to ORASS reporting for Banks (2020), and other acceptable reporting frameworks, all advances, which are classified as sub-standard, doubtful or loss, should be placed on a non-accrual basis. This means that interest applied to the account is no longer taken to income but is posted to an interest suspense account. Interest can only be taken out of suspense when it has actually been paid by the borrower. Any interest previously taken to profit but not received should be reversed when an advance is placed on a non-accrual basis. However, advances classified, as OLEM should be reviewed on a case-by-case basis.

9 Interest Expense	2023	2022
Savings	343,262	260,467
Fixed Deposit Accounts	1,214,284	1,010,541
Interest on GhanaPay	<u>30</u>	=
	<u>1,557,576</u>	<u>1,271,008</u>
10 Commission and Fees	2023	2022
Commission and Fees	449,119	357,221
Commitment Fees	279,767	511,352
Commission on Electronic Transfers	<u>20,730</u>	<u>16,307</u>
	<u>749,616</u>	<u>884,880</u>
11 Other Operating Income	2023	2022
Bad Debts Recovered	269,890	40,777
Sundry Income	151,255	225,123
Cheque Clearing Fees	28,984	31,558
ATM Fees	<u>1,514</u>	<u>456</u>
	<u>451,643</u>	<u>297,914</u>

12	Other Operating Cost		2023	2022
	Staff Related Cost - Note 12(a)		3,727,829	2,899,660
	Management Emolument -Note 12 (b)		555,371	640,437
	Depreciation		361,738	256,166
	Directors Emoluments - Note 12 (c)		153,734	139,708
	Audit Fees		42,500	40,000
	Staff Training and Development		73,751	90,193
	Bad Debt Written Off		350,901	387,569
	Defalcation		-	25,413
	General & Administrative Expenses (Appendix ii)		<u>3,569,983</u>	<u>2,688,503</u>
			<u>8,835,807</u>	<u>7,167,649</u>
12(a)	Staff Related Cost		2023	2022
	Staff Remuneration		1,613,020	1,351,084
	Staff Social Security Contribution		202,028	183,691
	Staff Provident Fund		96,996	61,332
	Staff Medical Cost		179,239	120,923
	Other Staff Cost		<u>1,636,546</u>	<u>1,182,630</u>
			<u>3,727,829</u>	<u>2,899,660</u>
12(b)	Management Emoluments	Short-Term Benefits	Post-Employment Benefits	Total
	2023			
	Salaries	500,948	-	500,948
	Social Security Contributions	-	34,512	34,512
	Provident Fund Contributions	-	<u>19,911</u>	<u>19,911</u>
		<u>500,948</u>	<u>54,423</u>	<u>555,371</u>
	2022			
	Salaries	588,455	-	588,455
	Social Security Contributions	-	32,964	32,964
	Provident Fund Contributions	-	<u>19,018</u>	<u>19,018</u>
		<u>588,455</u>	<u>51,982</u>	<u>640,437</u>

12(c) Directors Emoluments	2023	2022
Director's Fees	<u>153,734</u>	<u>139,708</u>
13 Finance Cost	2023	2022
Interest on Borrowings	<u>598,441</u>	<u>314,516</u>
	<u>598,441</u>	<u>314,516</u>

The provision for credit losses is done using Bank of Ghana guidelines, within the context of the principles of IFRS. Where possible, this involves the individual assessment of loans and advances outstanding having regard to factors that may impair or impede the ability of loan holders to retire the loans on time. In addition, BoG requires SDTIs to write off long outstanding debts that the institution is unable to recover after all efforts put in place. The general outcome of the assessment and review processes leading to the impairment provision at the reporting date is as follows:

14(a) Provision for Credit Losses	2023	2022
Balance at 1 January	841,631	862,826
Provision for Bad Debt charged during the yr	<u>350,901</u>	<u>525,145</u>
	1,192,532	1,387,971
Less Specific write off	<u>141,035</u>	<u>387,569</u>
	1,051,497	1,000,402
Provision no longer required	<u>(157,140)</u>	=
	894,357	1,000,402
Over Provision for current year	<u>(87,734)</u>	<u>(158,771)</u>
Provision Bal. at 31st December	<u>806,623</u>	<u>841,631</u>

Category	Percentage Provision	2023	2022
Current	1%	122,855	123,858
Other Loans Exceptionally Mentioned	5%	33,846	22,864
Sub-Standard	25%	88,227	51,628
Doubtful	50%	115,390	135,857
Loss	100%	<u>446,305</u>	<u>507,424</u>
		<u>806,623</u>	<u>841,631</u>

14(b) Bad Debt Written Off	2023	2022
Specific Debt written off	<u>141,035</u>	<u>387,569</u>

15	Cash and Cash Equivalent	2023	2022
		GH¢	GH¢
	Cash Holdings	1,581,010	1,309,348
	ARB Apex Bank	176,216	423,992
	GCB Bank	165,874	362
	ARB Apex ACOD	<u>800,000</u>	<u>1,600,000</u>
		<u>2,723,100</u>	<u>3,333,702</u>
16	Short-Term Investments	2023	2022
		GH¢	GH¢
	91-Days Treasury Bills	22,500,000	12,000,000
	56-Days Placement with GCB	<u>500,000</u>	=
		23,000,000	12,000,000
	Less: Unearned Interest on T Bill	<u>(725,147)</u>	<u>(519,409.00)</u>
		<u>22,274,853</u>	<u>11,480,591</u>
17	ARB Apex Bank Deposit	2023	2022
		GH¢	GH¢
	Balance at 01/01/2023	1,832,668	1,551,825
	Net Investment during the Year	<u>541,562</u>	<u>280,843</u>
	Balance at 31/12/2023	<u>2,374,230</u>	<u>1,832,668</u>
18	Long Term Investments	2023	2022
		GH¢	GH¢
	Fixed Deposits - Other Institutions (Locked up)	1,469,713	1,469,713
	GoG Bonds	10,081,586	10,033,606
	Interest Receivable on Investment Accrued	<u>229,656</u>	<u>472,220</u>
		<u>11,780,955</u>	<u>11,975,539</u>

18(b) IMPAIRMENT OF BONDS

Following the DDEP, the bank's investment in bonds at a value of **GH¢10,081,586** became a subject of impairment due to the rescheduling of the maturity of the affected Bonds such that the term of the investment became longer than the original arrangement.

In view of this, the term of the bond has been renegotiated to include a Paid-In-Kind (PIK) Agreement which will take care of the time value of money due to impairment at a 4%+ additional interest arrangement.

Thus, the additional interest will be accrued over the new term of the Bond and payable on maturity; in addition to the principal amount.

19	Loans and Advances	2023	2022
	(a) Analysed by Type of Facility	GH¢	GH¢
	Overdraft	333,515	311,431
	Loans	<u>13,386,073</u>	<u>13,289,163</u>
		13,719,588	13,600,594
	Provision for Credit Losses	<u>806,623</u>	<u>841,631</u>
		<u>12,912,965</u>	<u>12,758,963</u>
	(b) Analysed by Type of Industry		
	Cottage Industry	42,835	106,352
	Agriculture	-	161,547
	Transport	669,304	775,381
	Commerce	2,952,162	2,390,667
	Others	<u>10,055,287</u>	<u>10,166,647</u>
		13,719,588	13,600,594
	Provision for Credit Losses	<u>806,623</u>	<u>841,631</u>
		<u>12,912,965</u>	<u>12,758,963</u>
20	Equity Investment	2023	2022
	Number of shares	73,634	73,634
	Additional Shares Purchased	<u>25,407</u>	=
		99,041	73,634
	Cost/ Value Per Share (GH¢)	<u>0.94</u>	<u>0.85</u>
		<u>93,564</u>	<u>62,314</u>

21	Other Assets	2023	2022
	Insurance Prepaid	31,044	25,644
	Stationery Stock	47,643	26,301
	Office Account (Dr)	13,084	3,542
	Automated Clearing House	(48,757)	(1,890)
	Cheques for Clearing	1,270	-
	Interest & commission Accrued	215,516	177,989
	Annual Subscription	15,517	-
	AL Difference	<u>2</u>	<u>27,862</u>
		<u>275,319</u>	<u>259,448</u>
21a.	Right Of Use Lease Assets	2023	2022
	Rent Prepaid	388,625	182,321
	CAGD Deduction Code	<u>10,000</u>	<u>10,000</u>
		<u>398,625</u>	<u>192,321</u>
22	Remittances Receivable	2023	2022
	E-Zwich Operations	<u>8,090</u>	<u>13,880</u>
		<u>8,090</u>	<u>13,880</u>

23. Property, Plant and Equipment

2023	Land & Buildings	Plant & Machinery	Office Equipment	Motor Vehicles	Computers & Accessories	Furniture, Fixtures & structure	Intangible Assets	Total
Cost/Valuation								
At 01/01/2023	3,151,470	43,664	172,717	57,226	296,968	114,562	455,474	4,292,081
Additions	=	=	182,462	=	93,952	=	=	276,414
Cost at 31/12/2023	<u>3,151,470</u>	<u>43,664</u>	<u>355,179</u>	<u>57,226</u>	<u>390,920</u>	<u>114,562</u>	<u>455,474</u>	<u>4,568,495</u>
Depreciation								
Balance at 01/01/2023	687,623	28,670	83,415	31,445	88,332	98,746	184,877	1,203,108
Charge for the year	<u>140,914</u>	<u>8,733</u>	<u>71,462</u>	<u>11,445</u>	<u>48,706</u>	<u>1,032</u>	<u>79,446</u>	<u>361,738</u>
At 31/12/2023	<u>828,537</u>	<u>37,403</u>	<u>154,877</u>	<u>42,890</u>	<u>137,038</u>	<u>99,778</u>	<u>264,323</u>	<u>1,564,846</u>
Carrying Amount at 31st December 2023	2,322,933	6,261	200,302	14,336	253,882	14,784	191,151	3,003,649
2022								
Cost/Valuation								
At 01/01/2022	3,151,470	43,664	138,182	57,226	363,936	114,562	3,869,040	
Additions	=	=	34,535	=	388,506	=	423,041	
Cost at 31/12/2022	3,151,470	43,664	172,717	57,226	752,442	114,562	4,292,081	
Depreciation								
Balance at 01/01/2022	546,687	23,412	73,160	20,000	219,181	64,501	946,941	
Charge for the year	<u>140,936</u>	<u>5,258</u>	<u>10,255</u>	<u>11,445</u>	<u>54,027</u>	<u>34,245</u>	<u>256,166</u>	
At 31/12/2022	<u>687,623</u>	<u>28,670</u>	<u>83,415</u>	<u>31,445</u>	<u>273,208</u>	<u>98,746</u>	<u>1,203,107</u>	
Carrying Amount at 31st December 2022	2,463,847	14,994	89,302	25,781	479,234	15,816	3,088,974	

24 Stated Capital	2023		2022	
	Number	Proceeds	Number	Proceeds
Authorised				
Authorised ordinary	10,000,000	-	10,000,000	-
Preference Shares	125,000	-	125,000	-
Issued Ordinary Shares for Cash Consideration				
Balance at 1 January	6,593,881	1,266,684	5,890,055	1,125,919
Additions during the year	<u>247,005</u>	<u>49,401</u>	<u>126,350</u>	<u>25,270</u>
	6,840,886	1,316,085	6,016,405	1,151,189
Bonus Ordinary Share Issued	<u>661,743</u>	<u>132,349</u>	<u>577,476</u>	<u>115,495</u>
Balance as at 31 December	7,502,629	1,448,434	6,593,881	1,266,684
Issued Preference Shares	<u>125,000</u>	<u>13</u>	<u>125,000</u>	<u>13</u>
	<u>7,627,629</u>	<u>1,448,447</u>	<u>6,718,881</u>	<u>1,266,697</u>

25 Capital Surplus	2023	2022
At 31 st December 2023	<u>1,082,243</u>	<u>1,082,243</u>

26 Statutory Reserve Fund	2023	2022
At 1 January	861,254	699,230
Profit for the year @ 25%	144,432	81,012
Additional Transfer @ 12.5% of 2022 profit	-	<u>81,012</u>
At 31st December 2023	<u>1,005,686</u>	<u>861,254</u>

27 Building Reserve Fund	2023	2022
At 31 st December	<u>170,000</u>	<u>170,000</u>

28	Retained Earnings	2023	2022
	At 1 January	1,096,061	725,480
	Profit/Loss for the year	<u>577,727</u>	<u>648,100</u>
		1,673,788	1,373,580
	Transfer to Statutory Reserves (25%)	(144,432)	(81,012)
	Additional Transfer to Statutory Reserves	-	(81,012)
	Transfer to Stated Capital	(143,857)	(115,495)
	8% WHT on 2021 & 2022 Bonus Issues	<u>(9,236)</u>	<u>-</u>
	At 31st December	<u>1,376,263</u>	<u>1,096,061</u>
29	Customer Deposits	2023	2022
	(a) Analysed by Type of Accounts		
	Time Deposit	9,188,110	6,944,895
	Current Account	8,957,175	6,810,476
	Savings Accounts	<u>29,537,518</u>	<u>22,625,652</u>
		<u>47,682,803</u>	<u>36,381,023</u>
	 (b) Analysed by Type of Customers		
	Susu	11,182,432	8,126,297
	Government Agencies and Department	2,672,307	1,831,717
	Private Enterprise	8,265,593	1,428,856
	Individual	<u>25,562,471</u>	<u>24,994,153</u>
		<u>47,682,803</u>	<u>36,381,023</u>
30	Term Borrowings	2023	2022
	Balance b/d	3,650,000	583,333
	Loan contracted in the year	<u>104,584</u>	<u>4,000,000</u>
		3,754,584	4,583,333
	Repayments during the year	(1,414,941)	(933,333)
	Balance c/d	<u>2,339,643</u>	<u>3,650,000</u>

31 Accounts Payable	2023	2022
Sundry Payables	38,805	47,729
Deferred Rent Income	15,500	21,400
Audit Fees Accrued	42,500	40,000
Provision for Police Guard	33,600	4,800
Office Account (Cr)	32,162	-
Payments Orders	6,236	49,658
Accrued Interest	270,860	223,658
Unearned Interest on Loans	-	18,682
U-Connect Operations	-	121
E-Zwich Operations	8	117
GhanaPay	661	-
Withholding tax	16,356	28,619
GH Link Suspense	-	664
Provision for Electricity expenses	21,000	-
Provision for Long Service Award	5,450	4,880
Provision for Ex-Gratia	<u>97,872</u>	<u>72,499</u>
	<u>581,010</u>	<u>512,827</u>
32 Taxation	2023	2022
Opening Balance (01/01/2023)	(21,705)	(106,408)
Provision for the Year (Note 32a)	190,526	121,203
Growth & Sustainability Levy (Note 32b)	<u>40,434</u>	<u>-</u>
	209,255	14,795
Tax Paid	<u>(50,000)</u>	<u>(36,500)</u>
Closing Balance (31/12/2023)	<u>159,255</u>	<u>(21,705)</u>

32 (a) Income Tax Computation	<u>2023</u>	<u>2022</u>
	GH¢	GH¢
Profit before Taxation	808,687	769,303
Add: Depreciation	361,738	256,166
Over provision on credit losses	<u>(87,734)</u>	<u>(158,771)</u>
Adjusted Profit	1,082,691	866,698
<u>Capital Allowance</u>		
Current	320,587	
Utilized	(320,587)	<u>(381,885)</u>
Assessable Income	<u>762,104</u>	<u>484,813</u>
Taxation @ 25%	190,526	121,203

32(b) Growth & Sustainability Levy	<u>2023</u>	<u>2022</u>
	GH¢	GH¢
Profit Before Tax	808,687	
G&S Levy @ 5%	40,434	

33. Capital Adequacy	2023		2022	
	Required by BoG	Actual Achieved	Required by BoG	Actual Achieved
	10%	20.31%	10%	15.77%

Earnings per Share

Basic Earnings per Share (EPS) is calculated by dividing the profit after tax for the year attributable to equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

34 Earnings per Share	2023	2022
Profit Attributable to Ordinary Shareholders	577,727	648,100
Total Number of Ordinary Shares Issued for Cash	6,840,886	6,718,881
Basic Earnings Per Share	0.0845	0.0965
Total Number of Ordinary Shares	7,502,629	6,593,881
Diluted Earnings per Shares	0.0770	0.0983

35. Shareholding Structure

i. Number of Shares Outstanding

Earnings and dividend per share are based on **7,513,726** (2022: 6,718,881) Ordinary Shares Outstanding.

ii. Directors Shareholding

The total number of shares held by the Directors of the Bank at the reporting date represented **2.02%** (2022: 2.02%) of the total number of shares outstanding then.

iii. Number of Shareholders

The Bank had 3,751 Ordinary Shareholders as at **31st December, 2023** distributed as follows:-

Category	Number of Shareholders	Number of Shares	Percentage Holding (%)
0-1000	3514	330,343	4.4
1001-5000	133	272,429	3.63
5001-10000	33	230,270	3.06
Over 10000	<u>71</u>	<u>6,680,684</u>	<u>88.91</u>
Total	<u>3,751</u>	<u>7,513,726</u>	<u>100</u>

36. Capital commitments

There were no outstanding capital commitments at **31st December 2023** (2022: Nil).

37. Contingencies

There were no contingent assets or liabilities not provided for at **31st December 2023** (2022: Nil).

38. Legal proceeds

There were no legal proceedings against the Bank at the reporting date (2021: Nil).

39. Corporate Social responsibility

In furtherance of our corporate social responsibility, the Bank supported initiatives totalling **GH¢24,350** (2022: GH¢7,000) to cover activities in the Bank's key areas of concern, namely social welfare, health, education, and the environment.

40. Regulatory Breach

There were no regulatory breaches and penalties during the year (2022: Nil)

41. Related Party Transactions

There were no related party transactions in the audit period.

42. Events after the Reporting Period

No significant event occurred after the end of the reporting date which is likely to affect these financial statements.

43. Value Added Statements for the year ended 31st December 2023

	2023	2022
Interest earned and other operating income	11,712,777	9,363,705
Direct cost of Services	<u>(6,105,418)</u>	<u>(4,658,431)</u>
Value added by banking services:	5,607,359	4,705,274
Non-banking income	-	-
Impairment	=	=
Value Added	5,607,359	4,705,274
Value added distributed as follows:		
Employees:		
Directors	153,734	139,708
Other employees	4,283,200	3,540,097
To Government:		
Income tax	190,526	121,203
Growth & Sustainability Levy	40,434	-
To providers of capital:		
Dividends to shareholders	-	-
To expansion and growth:		
Depreciation	<u>361,738</u>	<u>256,166</u>
Retained Earnings	<u>577,727</u>	<u>648,100</u>

APPENDICES

Appendix I

LIST OF TWENTY LARGEST SHAREHOLDERS AS AT 31st DECEMBER, 2023

S/N	Names of Shareholders	No. of Shares	Percentage Issued Capital (%)
1	Seth Adjete Adjei	1,331,979	17.73%
2	Sage Research & Management	753,443	10.03%
3	Richard Henry Monton Nanka B.	290,614	3.87%
4	John Alex Botchway	242,178	3.22%
5	Keed Investments	213,117	2.84%
6	Nana Appiagyei Dankawoso	181,634	2.42%
7	Dr. Patrick Kwaku Ofori	104,218	1.39%
8	Owiredu Akrofi	80,742	1.07%
9	Sage Bangshares Ltd	49,646	0.66%
10	Okunor Alex	45,641	0.61%
11	James Afanu	36,327	0.48%
12	Amoah Thomas K.	32,291	0.43%
13	Naa Odofoley Nortey	30,675	0.41%
14	Moses Ola Dowuona	30,393	0.40%
15	Princess Dzifa Amenity	30,000	0.40%
16	Sinan Iliyas	30,000	0.40%
17	Robert Gyeke-Darko	29,772	0.40%
18	John K.M. Mawutor	29,737	0.40%
19	Blackson Obani	29,272	0.39%
20	Manieson Godfred E.	27,980	0.37%

Appendix II

ADMINISTRATIVE AND GENERAL EXPENSES FOR THE 2023 FINANCIAL YEAR

S/N	Description of Expenses	2023 GH¢	2022 GH¢
1	Electricity and Water	327,737	212,747
2	Board Meeting Expense	132,181	136,518
3	Police Guard Expense	159,897	128,214
4	Travelling Expenses	169,862	166,397
5	Office Expenses	203,204	139,912
6	Printing & Stationery	97,439	61,937
7	Repairs & Maintenance	99,152	71,968
8	Rent & Rates	102,875	96,349
9	Telephone & Postage	52,274	40,839
10	Insurance Expenses	184,825	137,604
11	Advertising & Publicity	88,311	68,653
12	Newspaper & Periodicals	-	181
13	Cleaning & Sanitation	66,889	48,157
14	Vehicle Running Expenses	487,313	157,702
15	Vehicle Repairs and Maintenance	17,842	21,150
16	Specie Expenses	36,000	30,130
17	Annual General Meeting Expenses	50,188	22,282
18	Cheque Clearing Expenses	46,405	41,800
19	Loan Recovery Expenses	67,810	32,159
20	Legal Expenses	5,537	9,460
21	Computer Licensing / Support Fees	586,197	405,052
22	Susu Expenses / Mobilisation Expenses	98,819	85,750
24	Funeral Grant	-	12,130
25	Commission to Loan Agents	-	176,249
26	Susu Commission Expenses	295,257	227,158
27	Generator Running Cost	90,177	86,872
28	Microfinance Expenses	<u>103,792</u>	<u>70,233</u>
		<u>3,569,983</u>	<u>2,687,603</u>



PROXY FORM

ABOKOBI AREA RURAL BANK LIMITED

FOR USE AT THE 32ND ANNUAL GENERAL MEETING

I/we.....

.....

.....(Block Capitals please)

Being a member/members of Abokobi Area Rural Bank Limited hereby appoint of.....

..... or failing him/her the chairman of the meeting as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held on Saturday 28th September, 2024.

Signed this.....day of.....2024

.....

Shareholder's Signature

Resolution	For	Against
1) To receive the Reports of the Board of Directors, the Financial Statements for the year ended 31 st December, 2023 and the Auditor's Reports thereon		

NOTE

A member entitled to attend and vote at this meeting is entitled to appoint a Proxy who need not be a member of the Bank to attend and vote for hi/her stead. The completed Proxy form must reach the Bank's office at Abokobi not less than 48 hours before the time fixed for the holding of the meeting.



BRANCHES

- **Abokobi Branch**
TEL: 0289 113050 / 0577 675168
- **Oyarifa Branch**
TEL: 0571 083522 / 0303 971567
- **Adentan Branch**
TEL: 0576 096646 / 0289 554919
- **Dome Branch**
TEL: 0289 525819
- **Ashaley Botwe Branch**
TEL: 0576 096643 / 0576 096644
- **MADINA BRANCH**
TEL: 0270 195455 / 0272 061751

PRODUCTS OF THE BANK

- ▶ Current Account
- ▶ Savings Account
- ▶ Time Deposit
- ▶ Domestic Funds Transfer (Apex Bank)
- ▶ Loans / Overdraft to Corporate Customers
- ▶ Loans / Overdraft to Workers
- ▶ GhanaPay
- ▶ Controller Loans
- ▶ Micro-finance Credit for Small Scale Business (In Groups)
- ▶ Investment in Treasury Bills (On behalf of Customers)
- ▶ Foreign Funds Transfer
 - i. Western Union Money Transfer

HEAD OFFICE:

P. O. Box LG 20 Legon, Accra. Off Adentan Aburi Road

EMAIL: info@abokobiarearuralbankltd.com

WEBSITE: www.abokobiarearuralbankltd.com

LOCATION: Opposite Abokobi Lorry Station,
Abokobi. Adjacent Guest Villa.

GPS Address: GE-0006-5163

TEL: 0302 950844/ 0577 675169