ANUM RURAL BANK PLC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

AUDITORS:

CFA & ASSOCIATES
CHARTERED ACCOUNTANTS
P. O. BOX GP 428
Accra

TABLE OF CONTENT

CORPORATE INFORMATION

Board of Directors

Daniel Adu Appea	Chairman
Martin Adu-Owusu	Vice Chairman
Nathaniel Kingsley Afunyah	Non-executive Director
Baadu Eric Agyemang	Non-executive Director
Christian Kofi Ani-Frimpong	Non-executive Director (October 2022)

Secretary

Nathaniel Kingsley Afunyah (Acting)
P. O. Box 15, Anum

Management

Desmond R. Akrong	Chief Executive Officer
Gideon Darkey	Dep. Chief Executive / Head, Operations
Florence Fosu-Hemaa Nkrumah	Head, Human Resource
Samuel Ofori Adonteng	Head, Internal Audit
Andrews Nii Barnor Adom	Head, Information Technology
Emmanuel P. Odame	Head, Credit & Investments
Bright Sarpeh	Head, Risk & Compliance Unit

Registered Office

The Bank's Head Office
P. O. Box 15
Anum, Eastern Region
Ghana
GPS: EA-2507-7119

Bankers

ARB Apex Bank Limited

Auditors

CFA & Associates
(Chartered Accountants)
Republic House Opp. Cocoboard
P.O. Box GP 482
Accra
Email: christianfosu.associates@yahoo.com
Telephone: 0244624177 / 0277822963 / 0302986461

REPORT OF THE DIRECTORS

In accordance with the requirements of Section 136 of the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institution Act, 2016 (Act 930), we the Board of Directors of Anum Rural Bank PLC, do herewith submit our annual report on the state of affairs of the Company for the year ended 31 December 2022.

Statement of Directors Responsibilities

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

In addition, the Directors are responsible for the preparation of the report of the directors.

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

The Directors have made an assessment of the ability of the company to continue as going concerns and believe that the shareholders will continue to introduce additional capital into the business.

The Auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

The Directors report the result of operations as follows:

Result of Operations

	2022 GH¢	**2021 GH¢**
Total Income	16,614,815	12,334,738
Profit before tax	2,515,623	1,366,582
From which is deducted a provision for estimated income tax expense of	(751,266)	(440,369)
Leaving a Profit after tax of	1,764,357	926,213
Which is to be added to the Restated Surplus brought forward of	1,405,937	1,601,068
Less Statutory and Other Reserves	(2,190,411)	(857,289)
Resulting in a balance to be carried forward on the Retained Earnings account at December 31 of	**979,883**	**1,669,992**

Nature of Business

The `principal activity of the Bank during the year was in accordance with Section 2 of the Regulations of the Bank. This represents no change from the activities carried out for the previous year.

Particulars of entries in the Interests Register during the financial year

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

Corporate Social Responsibility and Code of Ethics

The Bank spent an amount of **GH¢95,840** on Corporate Social Responsibility during the year.

External Auditors

The Auditors, Messrs', CFA and Associates will continue in office in accordance with Section 139(5) of the Companies Act 2019 (Act 992).

Going Concern

The Board of Directors has made an assessment of the Bank's ability to continue as a going concern and is satisfied that it will have the resources from its shareholders to continue in business for the foreseeable future. Furthermore, the Directors are 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.

Dividend

The Directors are recommending a dividend of **GH¢0.0065** per share amounting to **GH¢471,253** for the year ending 31 December 2022. (2021 dividend per share of GH¢0.0055 amounting to GH¢395,736).

Acknowledgement

The Board of Directors hereby expresses its sincere appreciation for the support, loyalty and dedicated service of the staff, management and all stakeholders of the Bank over the past year.

Approval of the report of the Directors

The report of the directors of Anum Rural Bank PLC, was approved by the Board of Directors on .... and signed on their behalf by

______________________	______________________
Director	**Director**
______________________	______________________
Date	**Date**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Anum Rural Bank Public Limited Company
Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Anum Rural Bank Public Limited Company ("the Company"), which comprise the statement of financial position at 31 December 2022, and the statements of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes as set out on pages 8 to 40.

In our opinion, these financial statements give a true and fair view of the financial position of Anum Rural Bank Public Limited Company at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2019 (Act 992), the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930)

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' code of Ethics for professional Accountants (IESBA code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There were no matters to be reported under this section of the report.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and the Directors' Report as required by the Companies Act 2019 (Act 992) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992), the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930), and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can also arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures 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 controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on

the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of the Companies Act, 2019 (Act 992)

a) We have obtained all the information and explanations which we considered necessary for the performance of the audit
b) In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books
c) The statement of Financial Position and the Statement of Comprehensive Income of the Bank are in agreement with the books of account

Compliance with the Banks and Specialised Deposit - Taking Institutions Act, 2016 (Act 930) - Section 85

a) The financial statements give a true and fair view of the state of affairs of the Bank and its result for the year under review
b) We were able to obtain all relevant information and explanations required for the efficient performance of our duties as auditors
c) The Bank's transactions were within its powers
d) The Bank has complied with the provisions in the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930)

The Engagement Partner on the audit resulting in this Independent Auditor's Report is **Robert Nyarkoh (ICAG/P/1534)**

……………………………………………………
CFA & Associates (ICAG/F/2022/264)
(Chartered Accountants)
Republic House, Opposite CocoBoard, Accra
P. O. Box GP 428, Accra.

……………………………………………………2023

ANUM RURAL BANK PUBLIC LIMITED COMPANY

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

Description	Notes	2022 GH¢	2021 GH¢
Interest Income	5	13,357,658	9,990,578
Interest Expense	6	(1,588,261)	(1,381,250)
Net Interest Income		**11,769,397**	**8,609,328**
Commission and fees	7	2,600,217	2,092,097
Other Operating Income	8	656,940	252,063
Total Operating Income		**15,026,554**	**10,953,488**
Credit Impairment Charges	11	(251,300)	(391,198)
Personnel Expenses	9b	(7,390,685)	(5,750,524)
Depreciation		(771,415)	(219,108)
Other Operating Expenses	9	(4,097,531)	(3,226,076)
Profit Before Taxation		**2,515,623**	**1,366,582**
Tax Provision	10a	(751,266)	(440,369)
Profit After Tax		**1,764,357**	**926,213**

Earnings Per Share (EPS)

Basic and diluted earnings per share	28	23.43	1.35

ANUM RURAL BANK PUBLIC LIMITED COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

Assets	Notes	2022 GH¢	2021 GH¢
Cash and Bank balances with ARB Apex Bank	11	12,793,707	7,560,769
Investments	12	24,257,844	16,524,617
Loans and advances	13	27,105,225	24,652,049
Other Assets	14	2,565,968	1,846,852
Equity Investments	15	66,004	84,004
Current Tax Asset	10	89,449	168,779
Property, plant and equipment	16	3,075,631	2,790,137
Total Assets		**69,953,827**	**53,627,207**
Liabilities and Equity			
Liabilities			
Customer Deposits	17	55,400,917	42,087,177
Dividend Payable	18	1,337,859	1,161,611
Creditors & Accruals	19	4,005,816	2,722,424
Deferred Tax Liability		128,503	-
Managed Funds	20	109,392	114,877
Borrowings	21	451,390	145,820
Total Liabilities		*61,433,876*	*46,231,908*
Equity			
Stated Capital	22	2,088,064	1,992,461
Statutory Reserve	23	2,193,163	1,752,074
Building Fund	24	694,039	544,039
Motor Vehicle Fund	25	230,000	80,000
IT Infrastructure Development Fund	26	150,000	-
Capital Reserve	27	1,356,733	1,356,733
Credit Risk Reserve	28	828,069	-
Retained Earnings	29	979,883	1,669,992
Total Equity		*8,519,951*	*7,395,299*
Total Liability and Equity		**69,953,827**	**53,627,207**

DIRECTOR **DIRECTOR**

DATE **DATE**

ANUM RURAL BANK PUBLIC LIMITED COMPANY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2022

Description	**2022 GH¢**	**2021 GH¢**
Profit Before Tax	2,515,623	1,366,582
Adjustments:		
Depreciation	771,415	219,108
Provision for Credit Losses	251,300	(391,198)
Revaluation surplus & rounding off	-	2
Prior Year Adjustment	(428,829)	-
Profit on Disposal	(51,000)	-
Cash flow before changes in assets & liabilities	*3,058,509*	*1,194,493*
Changes in Assets and Liabilities		
Changes in loans and advances	(2,453,176)	(3,872,577)
Changes in other assets	(721,255)	(457,045)
Changes in creditors and accruals	1,283,392	658,818
Changes in customer deposits	13,313,740	6,144,213
Cash flow from Operating Activities	*14,481,210*	*3,667,903*
Dividend and Tax		
Tax paid	(720,565)	(549,096)
Dividend paid	(295,006)	(13,457)
Net Cash Flow from Operating Activities	***13,465,639***	***3,105,349***
Investing Activities		
Purchase of property and Equipment	(946,163)	(13,000)
Proceeds from Disposal of Property	51,000	-
Net Cash flow from Investing Activities	***(895,163)***	***(13,000)***
Financing Activities		
Proceeds from issue of shares	95,603	33,383
Borrowings	305,570	(145,853)
Decrease in Managed Funds	(5,485)	(179,927)
Net Cash flow from Financing Activities	***395,688***	***(292,397)***
Net Increase in cash and cash equivalents	12,966,164	2,799,952
Adjusted Cash and Cash Equivalents at Jan 1	24,085,387	21,285,434
Cash and cash Equivalents at December 31	**37,051,551**	**24,085,386**
Analysis of cash and cash equivalents as shown		
Cash & Balances with ARB Apex	12,793,707	7,560,769
Short term investments	24,257,844	16,524,617
	37,051,551	**24,085,386**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

2022	Stated Capital GH¢	Capital Reserve GH¢	Statutory Reserve Fund GH¢	Building Reserve Fund GH¢	Motor Vehicle Fund GH¢	IT Development Fund GH¢	Credit Risk Reserve GH¢	Retained Earnings GH¢	Total GH¢
1/1/2022	**1,992,461**	**1,356,733**	**1,752,074**	**544,039**	**80,000**	**-**	**-**	**1,669,992**	**7,395,298**
Prior Year Adjustment	-	-	-	-	-	-	-	(264,055)	(264,055)
Balance Restated	***1,992,461***	***1,356,733***	***1,752,074***	***544,039***	***80,000***	***-***	***-***	***1,405,937***	***7,131,243***
Additions	95,603	-	-	-	-	-	-	-	95,603
Profit/Loss for the year	-	-	-	-	-	-	-	1,764,357	1,764,357
Dividend	-	-	-	-	-	-	-	(471,253)	(471,253)
Transfer to Statutory Reserve	-	-	441,089	-	-	-	-	(441,089)	-
Transfer to CRR	-	-	-	-	-	-	828,068	(828,068)	-
Transfers	-	-	-	150,000	150,000	150,000	-	(450,000)	-
31/12/2022	**2,088,064**	**1,356,733**	**2,193,163**	**694,039**	**230,000**	**150,000**	**828,068**	**979,883**	**8,519,951**

2021									
1/1/2021	1,959,078	1,356,733	1,520,521	394,039	-	-	-	1,601,068	6,831,438
Share Issue	33,383	-	-	-	-	-	-	-	33,383
Profit/loss for the year	-	-	-	-	-	-	-	926,213	926,213
Dividend	-	-	-	-	-	-	-	(395,736)	(395,736)
Transfers	-	-	231,553	150,000	80,000	-	-	(461,553)	-
31/12/2022	**1,992,461**	**1,356,733**	**1,752,074**	**544,039**	**80,000**	**-**	**-**	**1,669,992**	**7,395,298**

1. THE REPORTING ENTITY

1.1 The Company

The Anum Rural Bank Public Limited Company (the Bank) is a Public limited liability company incorporated and domiciled in Ghana. The Bank is registered under Ghanaian Legislation and authorized 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 at Anum in the Eastern Region with its network of Agencies located within the Eastern, Volta and Greater Accra Regions-Ghana. The registered office is at Anum in the Eastern region of Ghana and its registered address is Bank's Head Office, P. O. Box 15, Anum, Eastern Region, Ghana.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years, unless otherwise stated.

2.1 Basis of Preparation

The set of financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by legislation, particularly the Companies Act 2019 (Act 992) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) have also been disclosed or presented in the appropriate context. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policy

The Bank's financial statements comprise the statement of comprehensive income, statement of financial position, the statement of changes in equity, the statement of cash flows and related notes.

2.1.1 Critical Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and judgments that have a significant risk of causing a material adjustment to the carrying values of the assets and liabilities within the next financial year is (are) discussed below;

i) Measurement of the Expected Credit Loss Allowance

The measurement of the expected credit loss allowance (ECL) for the financial assets as per IFRS is a complex area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses)

A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as;

- Determining criteria for significant increase in credit risk
- Establishing the number of forward-looking economic scenarios and information
- Choosing an appropriate model and assumptions in the measurement of the ECL"

2.2 *Foreign Currency Translation*

a. Functional and Presentation Currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in 'Ghana Cedi' (GH¢) rounded to whole numbers.

b. Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except when deferred in other comprehensive income.

All foreign exchange gains and losses are presented in profit or loss within other operating income. Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income / available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income/available for sale, are included in other comprehensive income

2.3 *Going Concern*

The Bank's management has made as assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank 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 going concern basis.

2.4 Revenue Recognition

Revenue is derived substantially from banking business and related activities and comprises Interest income, commission and fees, as well as other operating income recognized on an accrual basis in the year in which it accrues.

a) Interest Income

Interest income are recognized in the Financial Statements in respect to interest bearing Financial Instruments including loans and advances as interest accrues using the effective interest rate method. The effective interest method is used as basis to recognize interest income in the profit and loss account for all interest – bearing financial instruments including loans and advances. The effective interest method is a method of calculating the amortized cost of a "financial asset" and allocating the interest income. The applicable effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts available over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the related financial asset.

The effective interest rate is calculated within the context of all estimated cash flows, and due consideration to all contractual terms of the financial instrument including any early payment options but not future credit losses. The calculation also includes all related transactional cost such as processing and commitment fees received by the bank.

The recognition of interest income ceases when the payment of interest or principal is in doubt. Interest is included in income thereafter only when it is received. Loans are re-valued on the accrual basis only when doubts about their collectability are removed and when the outstanding arrears of interest and principal are received.

b) Commissions and Fees

The Bank earns fees and commission income from services it provides to its customers. Commissions and fees are credited to income when earned with reasonable certainty and in the case of loan fees, in the year the loan is granted.

c) Other Operating Income

This relates to income accruing from the consequential dimension of the bank's operations including the sale of value books, susu/microfinance operations and where applicable profits or gains from the sale of property, plant and equipment.

2.5 Interest Expense

Interest expense is recognized in the profit or loss for all interest-bearing Financial Instruments measured at amortised cost, including savings and fixed deposit, as interest accrues using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expenses.

The effective interest rate is the rate that exactly discounts the estimated future cash payments over the expected life of the instrument or, when appropriate, a shorter period to the carrying amount of the "financial liability." The effective interest rate is calculated on initial recognition of the financial liability, estimating the future cash flows after considering all the contractual terms of the instrument.

2.5 Financial Assets and Liabilities

2.5.1 Financial Assets Measurement Methods

2.5.1.1 Amortized Cost and Effective Interest Rate

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability.

2.5.1.2 Initial Recognition and Measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Bank recognizes the financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value though profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Subsequent Measurement & Classification

Financial Assets at Fair Value through Profit and Loss

Held for Trading

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near future, or is a part of a portfolio of identified instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit making.

Designated at Fair Value through Profit and Loss

Upon initial recognition as financial asset, it is designated at fair value through profit or loss. Financial assets at fair value through profit or loss are measured at fair value subsequent to initial recognition. Gains or losses upon subsequent measurement are treated in Profit or loss. All equity instruments are measured at fair value.

Financial Assets Measured at Amortized Cost

A financial asset is measured at amortized cost if the following conditions are met:
The asset is held within a business model whose objective is to hold the assets in order to collect contractual cash flows, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Term loans to customers come under this category. They are initially recognized when cash is advanced to the borrowers at fair value, inclusive of transaction costs. Subsequent to initial recognition, Term loans are measured at amortized cost less impairment losses

Financial Assets Measured at Fair Value through Other Comprehensive Income

Securities including investments in money market and equity shares, other than those classified as trading securities, or at fair value through profit or loss, are classified in the Statement of Financial Position at their fair value. Other financial assets that are neither cash nor categorized under any category also come under this classification.

Financial assets measured at fair value through other comprehensive income are measured at fair value with gains and losses arising from changes in fair value recognized directly in other comprehensive income until the Financial Asset is either sold, become impaired, or mature, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest calculated using effective interest method is recognized in the Statement of comprehensive income. Dividends on equity instruments are recognized in the income statement when the Bank's right to receive payment is established.

2.5.2 Financial Liabilities

Classification

The Bank's holding in financial liabilities represents mainly deposits from banks and customers, and other liabilities. Such financial liabilities are initially recognized at fair value and subsequently measured at amortized cost."

Measurement

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

Derecognition

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

Determination of Fair Value

Availability of Active Market

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges. Thus, the fair value of a financial instrument traded in active market at the reporting date is based on its quoted market price without any deduction of transaction costs. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the criteria is not met, the market is regarded as being in-active.

Non-availability of Active Market

Financial instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. However, fair values for such equity investments are determined from the declaration of capital appreciations by the investee organization of amounts so declared in the form of additional shares in the equity holdings. Investments whose fair value can be reliably measured are measured professionally through the use of valuation technique."

Determination of Fair Value

The International Financial Reporting Standard (IFRS) 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, excluding transaction cost other than that relating to transport. In practical terms issues usually considered in such a determination would include highest and best use, physical possibility, legal permissiveness and financial feasibility.

Quoted market prices, inter-bank interest rates as well as regulatory discount rates are examples of the practical measurement standards applicable to the Bank.

2.5.3 De-recognition of Financial Assets and Financial Liabilities

Financial Assets

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

- The rights to receive cash flows from the asset have expired; or
- The Bank transferred its rights to receive cash flows from the asset or has assumed obligation to pay the received cash flows in full without material delay to a third-party under a 'pass-through' arrangement; and
- 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.

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

Financial Liabilities

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

2.5.4 Offsetting of Financial Instruments

Netting, where financial assets and liabilities are offset and the net amount reported in the statement of financial position, occurs if, and only if, there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on net basis, or to realize an asset and settle the liability simultaneously. In cases, even though master netting arrangements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position.

2.5.5 Collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of cash or securities in respect of other credit instruments or a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities. Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. Any interest payable or receivable arising is recorded as interest payable or interest receivable except for future costs relating to trading activities which are recorded in operating income.

3. IMPAIRMENT AND PROVISIONS

3.1 Impairment of Financial Assets

A financial asset or a group of financial assets is considered impaired only if there is an objective evidence of impairment as a result of one or more event(s) that have occurred after initial recognition of the asset and the event or events have diverse impact on the estimated future cash flow of such financial asset or group of financial assets.

The amount of impairment is measured as the difference between the carrying value of the financial asset or group of financial assets and the estimated future cash flows discounted at the original effective interest rate used to originate the financial asset or group of financial assets in question.

3.2 Impairment of Non-Financial Assets

Non-financial assets are assets that have indefinite useful life and are not subject to amortization and are tested manually for impairment. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the Asset Fair Value (Market Value) less cost to sell.

It is the policy of the bank to review all non-financial assets that suffer impairment for the possible reversal of the impairment at each reporting date.

3.3 Impairment of Loans & Advances

Loans and Advances are non-derivative financial assets having a fixed or determined cash flow patterns and are not quoted on any active market. Loans and Advances are initially recognized at fair value equivalent to the cash consideration or outflow required to originate or generate the loan including any transaction costs and measured subsequently at amortized cost using the effective interest method.

Loans and advances are designated as impaired and considered non-performing where recognized weakness indicates that full payment of either interest or principal become questionable or as soon as payment of interest or principal becomes questionable or as soon as payment of interest or principal is 90 days or more or overdue. Where any amount is considered uncollectible, an individual impairment provision is raised, being the difference between the loan carrying amount and the present value of estimated future cash flows.

Evidence of impairment may include indications that the holders of the bank's loans and advances are experiencing significant financial difficulty, default or delinquencies in the payment of interest and/or principal. It may also include the fact that the debt is being restructured to reduce the burden on the borrower.
Where any impairment arises the estimated impairment loss is fully provided for and recognized in the profit and loss as charge for credit losses.

3.3.1 Write-off Policy

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Bank determines that the loans are uncollectible. The determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure

3.3.2 Expected Credit Loss Measurement

In determining the ECL, management considers numerous factors including, but not limited to, domestic economic conditions, the composition of the advance portfolio and prior bad debt experience. Provisions made during the year are charged as a separate amount in the profit and loss account. When an advance is deemed irrecoverable it is written off against the related bad debt provision. Subsequent recoveries of advances that have been written off are credited to the profit and loss account under the category of Other Operating Income.

4.0 THE BANK'S EXPECTED CREDIT LOSS MODEL

The Bank usually uses the IFRS 9 three - stage approach to calculate impairment for their financial assets.

Stage 1: when significant increase in credit risk since initial recognition has not occurred, a 12-month ECL is recognised for the all stage 1 financial assets. Stage 1 financial assets are considered performing.

Stage 2; when a significant increase in credit risk since initial recognition has occurred, a lifetime ECL is recognised. Stage 2 financial assets are underperforming but not yet defaulted.

Stage 3; there is significant increase in credit risk reflecting 90 days past due and considered credit impaired at reporting date.

Financial instruments in stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Forward-looking information are considered in measuring the credit losses

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss, (ECL) is measured on either a 12 month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and the Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the remaining lifetime (Lifetime EAD)
- LGD represents the Bank's expectation of the extent of the loss on a defaulted exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point on initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported on historical analysis.

The 12-M and lifetime EAD are determined based on the expected payment profile, which varies by product type. Forward-looking economic information is also included in determining the 12- M and lifetime PD, EAD and LGD.

During the period under review, the Internal Model based on IRFS has been applied to provide for credit losses with the underlining assumptions:

Internal Model and Assumptions – ECL Measurement

- The Microfinance loans share similar risk characteristics. The loans are described as "Group Loans", normally very homogeneous and within the same geographical area. Almost all the loans are credit impaired because they are past due and other detrimental effect on future cash flows. Their stage categorization is at stage 3, for which Lifetime Expected Credit Losses (ECL) will be recognized.

- All of the Loans were originated based on the prevailing interest rate fixed by the Bank based on the Bank of Ghana's Base rate
- Loans which are categorized under "Current" are those Loan Balances which have no significant increase in credit risk. Such current balances are stage 1 and 12 months ECL will be recognized.
- Loans which are not categorized under "Current" as well as not impaired or a "Loss" because of past due status will be assumed as significant increase in credit risk but not credit impaired. Such loans will be categorized as stage 2 and a lifetime ECL will be recognized.
- All loans and advances have been aged based on historical experience into stage 1, 2 and 3"
- The ageing balances of the Bank will be used for the computation of Expected Credit Losses (ECL). The loan types have been categorized into Personal, Trading/Commercial, Staff, Ex-staff, Directors, Ex-Directors, Agriculture and Group Loans which are the Microfinance.
- The computation is constrained by the fact that additional information or triggers such as bankruptcy, death, loss of jobs, re-location, collateral etc. about the loan types were not obtained. They were all generalized based on balances obtained from the Bank.
- Forward looking information such as the inflation and interest rates were analyzed at the end of the period. A forward rate of 10% was assumed since the rate during the period had led to default in loan payments due to loss of job and unemployment. 10% was used to adjust the historical figures at the Probability of Default (PD) lifetime ECL. For stage 1, a future Forward rate of 0.5% will be assumed and added to the historical rate of 1% to arrive at 1.5%. For stage 2, a weighted average rate for provision rates in OLEM, Substandard and Doubtful will be used as historical and will be adjusted by the future rate of 10% to arrive at the PD. The Loss was still assumed at the rate of 100%.
- The Loss Given Default (LGD) will be assumed at the Bank Monetary Policy Rate due to constraint as stated. This will be applied for all the loan types. The Loss Given Default is what the business will lose if a borrower defaults. It is the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as percentage of Exposure at Default (EAD)
- ECL is computed as $\text{EAD} \times \text{LGD} \times \text{PD}$.
- Below are the ageing figures for the period"

"At 31 December, the Bank's credit exposures were categorized under IFRS 9 as follows:

- Stage 1 – Performing (Current)
- Stage 2 – Underperforming (Substandard, doubtful)
- Stage 3 – Credit impaired (Loss)

4.1 Cash and Cash Equivalents

Cash and Cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. For the purposes of the cash flow statement, cash and cash equivalents comprise balances with 91 days or less from the date of acquisition including cash and balances with Apex Bank, money market placements and dealing securities.

4.2 Equity Investments

Equity investments are marked to market. Market in this context refers to the periodic advice issued by the ARB Apex Bank regarding the price of its equity shares held by the bank.

4.3 Adoption of lease - IFRS 16

The Bank has adopted IFRS 16 with effect from 1 January 2022. The final version of this standard was issued on January 2016 by International Accounting Standards Board (IASB) to replace IAS 17, the previous accounting standard for lease.

Leases are capitalised by recognising the present value of the lease payments and showing them either as leased assets (right- of use assets). If lease payments are made over time, financial liability is recognised representing the Bank's obligation to make future lease payments. Relevant portions of previous advance payment were amortised through the statement of comprehensive income

4.4 Impact of IFRS 16 on the Financial Statements

The adoption of IFRS 16 led to reclassification of some rent prepayments, which were for long term and material reclassified as right – of use assets and those below two year classified as rent prepaid under current assets.

4.3 Property, Plant and Equipment

Recognition and Measurement

Items of property, plant and equipment are stated at cost less depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. The cost of self-constructed assets includes the cost of materials, direct labour and other directly attributable cost to bringing the asset to a working condition for its intended use. The costs of the day to day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Subsequent Costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. the costs of the day-to-day servicing of property. Plants and equipment's are recognised in statement of comprehensive income as incurred.

Revaluation Model

After recognition of an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Depreciation

Depreciation is charged to profit or loss on a straight-line basis to write down the cost of each asset to their residual values over the estimated useful lives of each part of an item of property and equipment. Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognized or classified as "held for sale" in accordance with IFRS 5. The estimated useful lives for the current and corresponding years are as follows:

Motor Vehicle	20%
Office Equipment	25%
Furniture & Fittings	20%
Freehold Land & Buildings	2.5%
Building Renovations	20%
Chub Safe	10%
Right of use Assets	over the lease term

De-recognition

An item of property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognized

Capital work in progress

Property and equipment under construction is stated at initial cost and depreciated the date is made available for use over its estimated useful life. Assets are transferred from capital work in progress to an appropriate category of property and equipment when commissioned and ready for its intended use

Intangible Assets

An intangible asset is general considered as an identifiable non-monetary asset without physical substance. It is recognised when future economic benefits will flow to the Bank and it can be reliably measured. The useful life may be finite or indefinite depending on the nature and legal framework underpinning the transaction. Impairment assessment is made of all indefinite intangibles assets at each reporting date and appropriate adjustments made.

Software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful life of the software, from the date that is available for use. The estimated useful life of the Bank's software is for four years

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are measured using the First-In, First-Out (FIFO).

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make it sale

The cost of inventories comprising of all cost of purchase, cost of conversion and other cost incurred in bringing the inventories to their present location and condition. The inventories are stationeries of the bank.

4.4 Income Tax

Current Income Tax

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

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered or paid to the Ghana Revenue Authority. The tax rates and tax laws used to compute the amounts are those that are enacted or substantially enacted by the statement of financial position date."

Deferred Tax

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

The Bank have adopted the liability method on temporary differences that arise from the tax basis of assets and liabilities and their carrying amounts in the financial statements to calculate and make full provision for deferred tax in the financial statements of the bank. The determination of deferred income tax is based on tax rates (and tax laws as the case may be) that have been enacted or expected to become valid for application by the reporting date, or when the related deferred income tax asset may be realized or when the deferred income tax liability may be settled.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized and such future profits can be reliably measured.

As a result, deferred tax assets are reviewed periodically to ensure that their expected recoverable values grounding their initial recognition have not been impaired and where they have, to reduce the related deferred tax assets to their recoverable amounts.

4.5 Provisions

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

4.5 Borrowings

Borrowings are recognized initially at fair value, net of transactions costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be dawn, "the fee" is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

4.6 Stated Capital and Reserves

Ordinary Shares

Ordinary shares are classified as stated capital, and comprise amount arising from the issue of shares for cash and transfers from retained earnings and other surpluses as defined under the Companies Act 2019 (Act 992). These shares are not redeemable by holders in the normal course of business.

Dividend on Ordinary Shares

Dividends on ordinary shares are recognized in the period, in equity in which they are approved by the shareholders, in the year in which they are paid.

Statutory Reserves

The statutory Reserve Fund is required under section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) to be set aside cumulatively from annual profit after tax. Depending on the ratio of existing Statutory Reserve Fund to paid up capital, the proportion of after-tax profits required to be transferred to this reserve fund ranges from 12.50% to 50%. The Bank during the year transferred an equivalent of 25% to reserve fund of its annual profit after tax.

Capital Surplus/Reserves

The capital surplus account is a creation of law company's Act 2019 (Act 992) and records gains or losses arising from the revaluation of assets of the company including its property, plant and equipment. The International Financial Reporting Standards (IFRS) require the evaluation at regular intervals of these property, plant and equipment. The bank has therefore adopted a policy to evaluate its assets at regular intervals.

Income Surplus (Retained Earnings)

The Income Surplus account records the cumulative annual profits (after appropriations) available for distribution to shareholders."

4.7 Credit Risk Reserve

To cater for any shortfall between the Bank of Ghana's Credit Loss Provision requirements and loans and advances impairments based on IFRS 9 principles, a charge or credit is made to retained earnings in respect of the difference required to adjust the cumulative provision to the level required under the Bank of Ghana regulations and IFRS 9 *Financial Instrument Recognition and Measurement.*

4.8 Post Balance Sheet Events

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

4.9 Related Parties

Related parties are individuals and companies. Where the individual and the Bank have the ability directly or indirectly, to control the other party or exercise significant influence on the party in making financial and operating decisions. Related party transactions and balances are disclosed in the notes to the financial statements

4.10 Employment Benefit Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligation for contributions to defined contribution pension plans are recognized as personnel expenses in statement of profit or loss in the period during which related services are rendered.

The Bank has the following defined contribution schemes:

National Pension Scheme

The Bank contributes 13.50% of basic salary to a National Pensions Scheme and the contribution is charged to the Profit and Loss Account as part of total Employee Benefit. The National Pension Scheme is a creation of law and managed by the Government of Ghana through the appropriate public and private sector entities.

Provident Fund

The Bank has a provident fund scheme for all employees. Employees of the Bank contribute 5% of their basic salary to the fund whilst the bank contributes 7.5%. Obligations under the scheme are limited to the relevant contributions made and any related investment income generated.

4.8 Financial Risk Management Introduction and Overview

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk Management Structure

The Board of Directors has the overall responsibility for the establishment and oversight of the Bank's risk and management framework. Under this framework, the Board has established a number of separate independent bodies responsible for managing and monitoring risks. These include Board sub-committees, the internal audit department and risk and compliance department.

The Bank has exposure to the following types of risk from its use of financial instruments: a) Credit risk; b) Market risk; c) Liquidity risk; d) Operational risk. The Bank continues to assess its overall risk management framework and governance structure. The notes below present information about the Bank's exposure to each of the above risk.

(i) Credit Risk

To the Bank, Credit risk is the likelihood that a receivable from a financial instrument issued by the Bank to a borrower is unlikely to be received regarding the principal with or the according to the terms contained in the financial instrument. This will result in economic loss to the Bank. The credit risk arises from largely loans and advances to customers.

Credit Risk Management

Credit risk is the single largest risk for the Bank's business; the Directors therefore carefully manage the exposure to credit risk. The credit risk is managed through the systems and controls established by the Credits department that ensures that periodic review of the status of the receivable at every stage of application to completion of the repayment of the advance by the borrower.

The credit department submits reports of the performance of the Loans and Overdrafts to the loans committed which takes appropriate actions for approval and recovery. Credit facilities are monitored for early warning signals of non-performance.

The Bank has well documented policies and procedures for managing credit risk in the Bank's operational manual. To manage the level of credit risk, the Bank deals with customers of good credit standing and for which in its assessment the transactions are appropriate and risks understood by the customer. The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for loans and advances"

(ii) Market Risk

Market risk is the potential of losses arising from movements in market prices such as Interest rates, exchange rates, and equity and commodity prices which affects the Bank's income or the value of its holdings of financial instruments.

Market Risk Management

Currently, the Bank's activities expose it to interest rate risks with no exposure to exchange rate, equity or commodity price risks. The interest rate risk is inherent in the Bank's financial assets and liabilities such as loans, customer's deposits and borrowings.

In the event when the Bank recognizes market risk as the exposure created by potential changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates, the Bank mitigates this risk principally from customer driven transactions

(iii) Liquidity Risk

Liquidity risk is the potential loss to the Bank arising from either its inability to meet its maturing short-term obligations as they fall due or to fund increases in assets without incurring unacceptable costs.

Liquidity Risk Management

The Bank maintains liquidity limit imposed by its regulator, the Bank of Ghana and the overall liquidity has always been within the regulatory limit of Bank of Ghana. The management of this risk enables the Bank to minimize the timing of cash flows relating to its Assets and Liabilities to ensure that it regularly maintains the primary reserve requirement of 13% of total deposits as required by Bank of Ghana and ARB Apex Bank.

(iv) Operational Risk

Operational risk is direct or indirect loss resulting from inadequate or failed internal and processes, staff and systems.

Operational Risk Management

These are managed by well-designed manuals that reflect the main operating procedures, business continuity planning, reconciliations, internal audit, risk and compliance and timely and reliable management reporting"

5. INTEREST INCOME	**2022 GH¢**	**2021 GH¢**
Micro Finance Income	-	462,965
Government Securities & Other Investments	4,273,619	1,995,812
Loans and Advances	9,084,039	7,531,801
Total	**13,357,658**	**9,990,578**

6. INTEREST EXPENSE		
Fixed Deposit Accounts	787,900	774,653
Savings Accounts	800,361	606,596
Total	**1,588,261**	**1,381,250**

7. COMMISSION AND FEES		
Commission on Turnover	1,017,513	917,801
Commitment Fees	1,582,703	1,174,296
Total	**2,600,217**	**2,092,097**

8. OTHER OPERATING INCOME		
Profit/Loss on disposal (20a)	51,000	-
Credit Insurance Scheme	-	150,000
Commission on Electronic Transfer	-	51,603
Sundry Income	605,940	50,460
Total	**656,940**	**252,063**

9. OPERATING COST

Marketing and publicity	27,449	6,694
Directors Remuneration	65,437	81,255
Audit Fees	30,475	26,000
Social Responsibility	95,840	28,233
AGM Expenses	90,841	66,778
General and Administrative Expense (9b)	3,787,489	3,017,117
Total	**4,097,531**	**3,226.076**

9a. STAFF RELATED COSTS

Staff Remuneration	5,480,828	4,239,842
Staff Social Security Costs	239,998	247,030
Staff Provident Fund	264,183	224,519
Staff Training & Development	100,041	46,580
Staff Long Service Award	120,000	171,183
Staff Medical Costs	103,624	102,435
Staff Retirement Benefits	190,000	127,595
Staff Annual Bonus	479,360	303,298
Staff Clothing Allowance	375,448	267,138
Staff Bungalow Expenses	37,203	-
Total	**7,390,685**	**5,750,524**

9b. GEN. & ADMIN EXPENSES

	2022 GH¢	2021 GH¢
Directors' Training Expense	24,025	3,975
Board Meeting & Committee Expense	383,446	197,216
Police Guard & Security	196,834	173,924
Recruitment Expenses	7,920	14,432
Travelling & Transport	180,948	107,624
Audit Expense	5,745	126
Legal & Professional Charges	33,722	13,530
Office Expense	490,569	420,783
Interest on Car Loan	69,832	-
Printing & Stationery	115,738	73,281
Repairs & Maintenance	158,983	89,749
Rent & Rates	-	148,365
Communication (Postage & Telephone)	27,079	24,844
Insurance	132,369	91,469
Utilities (Electricity & Water)	190,418	151,300
Microfinance Expense	-	103,987
Mobilization Expense	657,730	-
Subscription & Periodicals	28,945	25,723
Motor Vehicle Running	371,848	211,291
Special Movement Expenses	45,005	44,567
Shortage in Till and round off	1,585	1,892
Loans Recovery	8,160	7,542
Scholarship Scheme	-	600
Generator running	114,263	66,283
Business Promotion	86,000	64,100
Susu Expense	-	482,072
Accountancy Charges	11,500	13,000
Computerization	416,202	447,653
Cheque Clearing Expenses	28,624	37,791
	3,787,489	**3,017,117**

10. CURRENT TAX PAYABLE

Year Assessment	Opening Balance GH¢	Charge for the year GH¢	Tax Credit /Payments GH¢	Closing Balance GH¢
2021	(60,051)	440,369	(549,096)	(168,778)
2022	(168,778)	799,894	(720,565)	(89,449)

10a. TAX EXPENSE

	2022 GH¢	2021 GH¢
Income Tax	799,894	440,369
Decrease in Deferred Tax	(48,628)	-
Charged to Profit and Loss	**751,266**	**440,369**

All liabilities and refund are subject to agreement with the Ghana Revenue Authority

11. CASH AND BANK BALANCES WITH ARB APEX BANK

Cash Holdings	3,883,293	2,886,801
5% Deposit Reserve	2,613,828	2,069,097
ACOD	2,100,000	1,300,000
Apex Bank Balance	4,196,586	1,304,872
Total	**12,793,707**	**7,560,769**

12. INVESTMENTS

Treasury Bills/Notes Redeemable within one year		
Government Treasury	22,855,000	15,446,000
Less: Unearned Interest at Year End	-	(324,227)
At Amortised Cost	*22,855,000*	*15,121,773*
Shares with Amalgamated Mutual Fund	1,402,844	1,402,844
Total	**24,257,844**	**16,524,617**

13. LOANS AND ADVANCES

(a) Analysed by Type of Facility	2022 GH¢	2021 GH¢
Overdraft	1,643,126	1,647,762
Loans	28,303,780	24,766,599
	29,946,906	**26,414,361**
		-
Less Accumulated Credit Loss	(2,841,681)	(1,762,312)
Total	**27,105,225**	**24,652,049**

Relevant Statistics

(i) Credit Loss provision ratio	0.84%	1.50%
(ii) Cumulative credit loss provision ratio at the balance sheet date was	7.60%	6.76%
(iii) Percentage of Staff Loans	8.09%	7.79%
(iv) Percentage of 20 Largest Exposure	7.11%	6.46%

(b) Analysed by Type of Customer

Staff	2,423,600	2,032,813
Private Enterprises	8,039,217	7,595,218
Individuals	19,484,089	16,457,872
	29,946,906	*26,085,904*
Less accumulated credit loss	(2,841,681)	(1,762,312)
Total	**27,105,225**	**24,323,592**

(c) Analysed by Business Segment

Agriculture	30,478	28,280
Commerce	4,419,123	3,837,506
Miscellaneous/salaried Personnel	25,497,304	22,220,118
	29,946,906	*26,085,904*
Less accumulated credit loss	(2,841,681)	(1,762,312)
Total	**27,105,225**	**24,323,592**

(d) Movement in the Provision for Credit Losses	**2022 GH¢**	**2021 GH¢**
Balance on the provision at 1 January	1,762,312	1,371,114
Provision for the year	251,300	391,198
	2,013,612	**1,762,312**

(e) Credit Loss Expense to Profit and Loss

Provision for the year (ECL)	251,300	391,198
Additional Provision	-	-
	251,300	**391,198**

Credit Risk Reserve

The Credit Reserve is a reserve to set aside the excess of amounts recognised as impairment loss on Loans and Advances based on provisions calculated in accordance with the requirement of IFRS and the Bank of Ghana's Prudential guidelines.

Movement In Credit Risk Reserve Account

IFRS 9 impairment	2,013,612
BOG impairment	2,841,681
Transfer to Credit Risk Reserves	**(828,069)**

14. OTHER ASSETS

	2022 GH¢	2021 GH¢
Unassigned Lines	-	11,378
Ezwich Operations	47,562	48,727
Interest Receivable	823,049	364,368
Sundry Interests	254,835	599,390
Stationery Stock	208,510	152,300
Insurance Prepaid	101,488	57,588
Uncleared Effects	-	30,961
Inter-Agency Accounts	185,954	133,355
Rent Prepaid	-	189,270
Office Account	670,631	259,516
Others	273,939	-
Total	**2,565,968**	**1,846,852**

15. EQUITY INVESTMENTS

(ARB Apex Bank Limited)	2022 GH¢	2021 GH¢
Ordinary Shares Held at ARB Apex Bank at Rev.	66,004	44,590
Additional Shares Purchased -Renounceable Issue	-	24,600
Bonus Shares Given	-	14,814
Total	**66,004**	**84,004**

NOTES TO THE FINANCIAL STATEMENTS CONT'D

16. PROPERTY, PLANT & EQUIPMENT

Cost	Land & Building GH¢	Right of Use of Asset GH¢	Work In Progress-Buildings GH¢	Building Renovation GH¢	Computer & Accessories GH¢	Office Equipment GH¢	Furniture & Fittings GH¢	Motor Vehicle GH¢	Total GH¢
1/1/2022	2,402,625	-	133,184	376,478	-	1,260,497	240,990	499,633	4,913,407
Reclass	-	-	-	-	471,538	(904,764)	433,226	-	-
Balance Restated	*2,402,625*	-	*133,184*	*376,478*	*471,538*	*355,733*	*674,216*	*499,633*	*4,913,407*
From other Assets to Right of Use Assets	-	210,720	-	-	-	-	-	-	210,720
Balance After IFRS 16 application	*2,402,625*	*210,720*	*133,184*	*376,478*	*471,538*	*355,733*	*674,216*	*499,633*	*5,124,127*
Additions	-	224,550	1,529	-	86,593	53,790	91,090	488,610	946,163
Disposal/ Write Offs	-	-	-	(376,478)	-	(204,004)	(3,180)	(33,998)	(617,660)
31/12/2022	**2,402,625**	**435,270**	**134,713**	**-**	**558,131**	**205,519**	**762,126**	**954,245**	**5,452,629**
Depreciation									
1/1/2022	333,931	-	-	276,506	-	1,032,505	164,608	315,721	2,123,271
Reclassification	-	-	-	-	386,248	(741,115)	354,867	-	-
Balance Restated	*333,931*	-	-	*276,506*	*386,248*	*291,390*	*519,475*	*315,721*	*2,123,271*
Charged	59,570	170,652	-	-	94,249	77,7911	145,053	224,102	771,415
Disposal/ Write Offs	-	-	-	(276,506)	-	(204,004)	(3,180)	(33,998)	(517,688)
31/12/2022	**393,501**	**170,652**	**-**	**-**	**480,498**	**165,176**	**661,347**	**505,825**	**2,376,998**
Net Book Value									
31/12/2022	**2,009,124**	**264,618**	**134,713**	**-**	**77,634**	**40,342**	**100,779**	**448,420**	**3,075,631**
31/12/2021	2,068,694	-	133,184	99,972	-	227,993	76,382	183,912	2,790,137

The cost of Office Equipment includes the amount of **GH¢274,410** representing the fair value of certain machinery and equipment received from the Millennium Development Authority (MIDA) in 2011. The first-time financial disclosure of this was in 2013.

16(a). DISPOSAL ACCOUNT

	2022 GH¢	2021 GH¢
Cost / (Revalued)	33,998	71,672
Accumulated Depreciation	(33,998)	(71,672)
Carrying Value	-	-
Proceeds from disposal	51,000	45,000
Profit/(Loss) on disposal	**51,000**	**45,000**

17. CUSTOMER DEPOSITS

	2022 GH¢	2021 GH¢
Susu Savings Scheme	7,221,334	4,950,518
Time Deposit	6,052,829	6,277,934
Current Account	10,914,259	7,438,129
Savings Account	31,212,495	23,420,594
	55,400,917	**42,087,177**

18. DIVIDEND PAYABLE

Balance at 1 January	1,161,611	779,332
Dividend Declared	471,253	395,736
Dividend Paid	(295,006)	(13,457)
Total	**1,337,859**	**1,161,611**

19. CREDITORS & ACCRUALS

	2022 GH¢	2021 GH¢
Accrued Interest	1,772,717	361,063
Accrued Audit Fees	30,475	39,240
Accountancy Charges	11,500	-
Retirement Benefits	232,954	118,553
Community Development Project	32,446	-
Withholding Tax Payable	58,978	-
Business Promotion	-	18,187
Payment Order	578,440	542,883
Deferred Income	-	682,947
Premium Payable/Credit Insurance Scheme (19a)	83,002	208,811
Office Account	629,137	551,781
Uncleared Effect	575,317	-
GH Link Suspense	-	122,781
Migration Suspense	-	9,214
Stabilization Reserve	851	67,124
	4,005,816	**2,722,424**

19b. CREDIT INSURANCE SCHEME

Total Insurance Premiums	-	357,919
Loan Insurance Suspense	-	892
Total	**-**	**358,811**

20. MANAGED FUNDS

CAP loan & disbursement	109,392	114,877
Fishmongers Association Fund	-	-
	109,392	**114,877**

The bank has entered into various management agreements with the Governmental and other stakeholders for the management of the above funds.

21. BORROWINGS

Short term and other Borrowings	2022 GH¢	2021 GH¢
Borrowings – Atimpoku building	-	27,764
Borrowings – Van	-	118,056
ARB Apex	451,390	-
Total	**451,390**	**145,820**

22. STATED CAPITAL

	2022		2021	
Authorised	**No. of Shares 000'**	**Amount GH¢**	**No. of shares 000'**	**Amount GH¢**
Ordinary shares @ 31/12	1,000,000	-	1,000,000	-
Issued for cash consideration	-	-	-	-
At January 1	68,891	1,028,937	68,665	995,554
Additions	6,401	95,603	226	33,383
	75,292	1,124,540	68,891	1,028,936
Other than cash	-	-	-	-
At 1 January	-	963,524	-	-
Capitalization Issue	-	-	5,247	23,386
Transfer from Capital Surplus	-	-	-	106,416
Transfer from Retained Earnings	-	-	-	683,722
Transfer from Stabilization Fund	-	-	-	150,000
At December 31	**75,292**	**2,088,064**	**74,138**	**1,992,461**

There is no unpaid liability on any shares. There are no calls or instalments unpaid, and there are no treasury shares held.

	Required By BOG	Actually Achieved	Required By BOG	Actually Achieved
Capital Adequacy	10%	16.32%	10%	20.76%

23. STATUTORY RESERVE

	2022 GH¢	2021 GH¢
At January 1	1,752,074	1,520,521
Transferred from Retained Earnings Account	441,089	231,553
At December 31	**2,193,163**	**1,752,074**

The Statutory Reserve Fund is required under section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) to be set aside cumulatively from annual profits after tax. Depending on the ratio of the existing Statutory Reserve Fund to paid up capital, the proportion of the after-tax profits required to be transferred to this reserve fund ranges from 12.5% to 50%.
The Bank in the year transferred 25% (2020: 25%) of profit after tax to the Statutory Reserve Fund.

24. BUILDING FUND

At January 1	544,039	394,039
Transfer from Retained Earnings	150,000	150,000
At December 31	**694,039**	**544,039**

25. MOTOR VEHICLE FUND

At January 1	80,000	-
Transfer from Retained Earnings	150,000	80,000
At December 31	**230,000**	**80,000**

26. IT INFRASTRUCTURE DEVELOPMENT FUND

Balance at 1 January	**-**	-
Transfer from Retained Earnings	150,000	-
	150,000	-

27. CAPITAL RESERVE

At January 1	1,356,733	1,356,733
Revaluation Surplus	-	-
At December 31	**1,356,733**	**1,356,733**

Comprising

Unrealised appreciation on 20,000 Ordinary Shares held in ARB Apex Bank	-	42,590
Value of bonus shares in ARB Apex Bank	**-**	14,814
Revaluation of Land & Building	**-**	1,299,733
At December 31	**-**	**1,356,733**

28. CAPITAL RISK RESERVE

Balance at January 1	-	-
Balance at December 31	828,069	-
At December 31	**828,069**	-

29. RETAINED EARNINGS ACCOUNT

	2022 GH¢	2021 GH¢
At January 1	1,669,992	1,601,068
Prior Years Adjustment:		
Deferred Tax	(328,856)	-
Building Renovation	(99,973)	-
Investment Income in Suspense	182,774	-
Equity Investments	(18,000)	-
Opening Balance Restated	*1,405,937*	*1,601,068*
Profit/(Loss) for the year	1,764,357	926,213
Balance before Statutory and other Transfers	-	2,527,281
Transfer to Statutory Reserve	(441,089)	(231,553)
Dividend Payable	(471,253)	(395,736)
Transfer to Motor Vehicle Fund	(150,000)	(80,000)
Transfers to Building Fund	(150,000)	(150,000)
Transfer to IT infrastructure Development Fund	(150,000)	-
Credit Risk Reserve	(828,069)	-
At 31 December	**979,883**	**1,669,992**

30. PRIOR YEARS ADJUSTMENT

It is as a result of building renovation and equity investment wrongly classified now corrected

31. 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 or ordinary shares outstanding during the year.

Profit attributable to ordinary shareholders	1,764,357	926,213
Weighted average number of ordinary shares	72,599,840	68,372,359
Basic Earnings Per Share (in Ghana Pesewas)	23.43	1.35

(Note: The Bank had no category of dilutive potential ordinary shares at both reporting dates. The diluted earnings per share is therefore the same as the basic earnings per share).

32. CAPITAL COMMITMENTS

There were no capital commitments not provided for in the financial statement at the reporting dates.

33. RELATED PARTY TRANSACTIONS

A number of transactions are entered into with related parties in the normal course of business. These normally include loans advanced to related persons. The disbursement and related outstanding balances at the year-end are as follows:

(a) **Loans to Directors**	2022 GH¢	2021 GH¢
At 01/01	28,029	19,049
Additions	42,306	32,484
Repayment	(16,196)	(23,503)
At 31/12	**54,139**	**28,029**

34. EXCHANGE CONTROL

All remittances from Ghana are subject to the agreement of the Exchange Control Authorities

35. SHAREHOLDING STRUCTURE

(i) Directors' Shareholding

The directors named below held the following number of ordinary shares in the Bank as at 31 December 2022

Directors	No. of Shares	Percentage
Eric Baadu Agyemang	588,925	0.81%
Martin Adu-Owusu	196,157	0.27%
Daniel Adu Apea	196,036	0.27%
Nathaniel Kingsley Afunyah	172,879	0.24%
Christian Kofi Ani-Frimpong	136,267	0.19%

(ii) Number of Shares Outstanding

Earnings and dividend per share are based on 72,559,840 (2021: 71,944,385) ordinary share outstanding

(iii) Number of Shareholders

The Bank had a total of 7,131 ordinary shareholders at the reporting date and were categorised by the number of shares held as follows:

Holdings	No. of Members	Total Holdings	Percentage Holdings
1-1000	681	335,561	0.46
1,001-5,000	4,640	12,056,871	16.61
5,001-10,000	1,039	7,037,072	9.69
Exceeding 10,000	777	53,170,336	73.24
Total	**7,137**	**72,559,840**	**100**

(iv) List of Twenty (20) Largest Shareholders as at 31 December 2022

Name	No. of shares	% Holdings
1. Gyau Bismark Anyane	7,426,133	10.23
2. Osafo Adamu Jonas	2,631,148	3.62
3. Nartey Desmond Afutu	2,519,583	3.47
4. Sage Bancshares	2,145,450	2.96
5. Dadzie Samuel	1,980,141	2.73
6. Paarock Van Percy	1,329,114	1.83
7. Namusa Trust	1,310,081	1.80
8. James Allotey	1,196,040	1.65
9. Nartey Desiri Nartekie	1,076,056	1.48
10. Eshun Richard Sarbah	1,049,838	1.45
11. Kwabena Adjei	724,126	1.00
12. Samuel Bada	645,633	0.89
13. Eric Baadu Agyemang	588,925	0.81
14. Salome Appiah/Asante Emmanuel Ofori	560,588	0.77
15. Yaokumah Paul Kwesi	537,360	0.74
16. Nartey Sophie	524,919	0.72
17. Odame Irene Mary	466,836	0.64
18. Akyea-Obeng Timothy Kwaku	444,044	0.61
19. Ntim Benjamin Obuobi	394,277	0.54
20. Bredu Daniel Tetteh	375,261	0.52
Sub-Total	*27,925,553*	*38.47*
Others	44,674,287	61.53
Grand Total	**72,599,840**	**100.00**

ANUM RURAL BANK PUBLIC LIMITED COMPANY

APPENDIX III: VALUE ADDED STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

		2022			2021	
		GH¢	%		GH¢	%
Interest Earned and other Banking Income		15,957,875			12,082,675	
Bought in Cost and Services		(5,464,185)			(4,716,068)	
Value Added by Banking Services		*10,493,691*			*7,366,607*	
Add Non-Banking Income		656,940			252,053	
Value Added for Distribution		**11,150,631**	**100**		**7,618,660**	**100**
Applied as Follows						
To Pay Employees						
Salaries and Allowance For Directors and Staff		7,863,606	71		6,032,970	79.19
To Pay Government						
Corporate Tax		751,266	7		440,369	5.78
To Pay Providers of Capital						
Dividend to Shareholders		471,253	4		395,736	5.19
Retained for Expansion and Improvement						
Depreciation	771,415			219,108		
Retained Profit	1,293,091	2,064,506	19	530,477	749,585	9.84
Value Added allocated		**11,150,631**	**100**		**7,618,660**	**100**