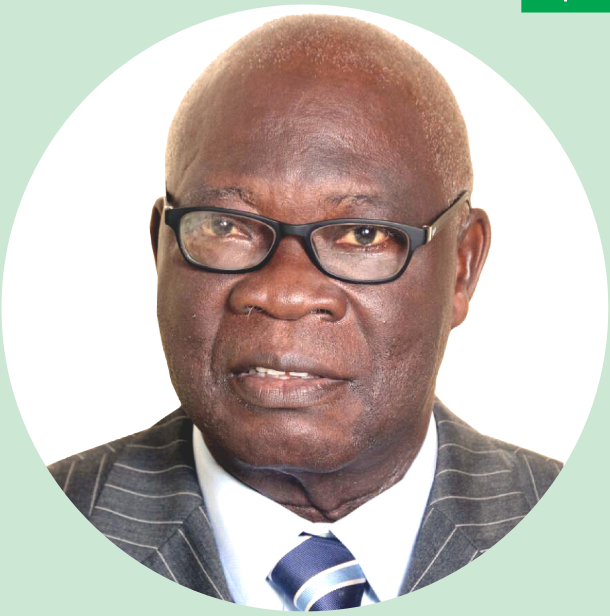
BOARD MEMBERS



Mr. Benjamin T. Apo
Chairman

Mrs. Mercy M. Tetteh
Vice Chairperson

Mr. R.T. Matey Johnson
Member / Secretary
(Retired - June 2019)

Dr. Desmond A. Nartey
Member

Mr. Charles Arkuh
Member

Mr. Peter K. Kornor
Member / Solicitor

Mr. Romeo Bugyei
Member

Mr. Michael Teye Nyaunu
Member

MANAGEMENT TEAM

Mr. Edmund T. Ohipeni, C.E.O

Mr. Ebenezer Akumatey
Head, Operations

Mr. Frederick Agbenyegah
Head, Risk and Compliance

Mr. Philip Tetteh
Acting Head, Credits

Mr. Solomon Godwin Koomson
Head, Finance & Admin.

Mrs. Monica Padi
Head, Human Resource

Mr. Ernest Kpogli
Head, Internal Audit

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 39th Annual General Meeting (AGM) of Shareholders of Manya Krobo Rural Bank Limited will be held on Saturday 19th December, 2020 at 10.00 am prompt via zoom to transact the following business:

<u>Special Business</u>

1. To authorize the amendment of the Regulation of the Bank in compliance with the new Companies Act 2019 (Act 992).
2. To authorize the amendment of the Company's Regulation to provide for the holding of meetings virtually including Annual General Meetings where the directors deem it necessary to do so.

<u>Other Business</u>

3. To read the notice convening the meeting.
4. To receive the report of the Chairman of the Board of Directors.
5. To receive and consider the reports of the Directors for the year ended 31st December 2019.
6. To receive and consider the Auditors' Report and the Financial Statements for the year ended 31st December, 2019.
7. To authorize the Directors to fix the fees of the Auditors.
8. To fix the remuneration of Directors.
9. To elect Directors in place of those retiring by rotation.
10. To approve new directors cleared by the Bank of Ghana.
11. To transact any other business appropriate to be dealt with at an Annual General Meeting.

<u>Attendance and Participation</u>

1. As a result of the corona virus pandemic, attendance and participation by shareholders or their proxies in the meeting shall be by virtual means.
2. The zoom link for the AGM and special access token will be sent to shareholders by sms.
3. All relevant information and documents relating to the Annual General Meeting will be available on the Bank's website info@manyakroboruralbank.com

4. Shareholders are encouraged to submit their questions ahead of the AGM via mail to info@manyakroboruralbank.com

DATED THIS 20TH DAY OF NOVEMBER, 2020
BY ORDER OF THE BOARD
EDMUND TAWIAH OHIPENI
ACTING SECRETARY

CORPORATE INFORMATION

BOARD OF DIRECTORS:	Mr. Benjamin T. Apo (Chairman) Mrs. Mercy M. Tetteh (Vice Chairman) Mr. Michael T. Nyaunu Mr. R.T. Matey-Johnson *(Retired in June 2019)* Mr. Peter K. Kornor Dr. Desmond A. Nartey Mr. Romeo Bugyei Mr. Charles Arkuh
CHIEF EXECUTIVE OFFICER:	Mr. Edmund T. Ohipeni
SECRETARY:	Mr. R.T. Matey-Johnson *(Retired in June 2019)*
AUDITORS:	Morrison & Associates Chartered Accountants Trinity House, 2nd Floor Ring Road East P. O. Box C2890 Cantonments - Accra
REGISTERED OFFICE:	Manya Krobo Rural Bank Limited P. O. Box 176 Bank Premises Odumase-Krobo
BANKERS	ARB Apex Bank Limited Ecobank Ghana Limited CAL Bank Limited Barclays Bank (Ghana) Limited

39TH ANNUAL GENERAL MEETING BOARD CHAIRMAN'S REPORT

INTRODUCTION

Distinguished shareholders, invited guests, ladies and gentlemen, it is my singular pleasure to welcome you to the 39th Annual General Meeting of our Bank, Manya Krobo Rural Bank, and to present to you the report of the Board of Directors for the year ended 31st December, 2019. The Bank made significant progress towards accomplishing its strategic objectives despite the challenging economic landscape.

OPERATING ENVIRONMENT

The financial sector faced a number of challenges in the course of the year 2019. The Bank of Ghana (BoG) revoked the operating licenses of 9 Universal Banks, 15 Savings and Loans Companies, 8 Finance houses, 39 Micro-credit Institutions and 347 micro-finance companies. The Securities and Exchange Commission (SEC) also withdrew the operating licenses of 53 investment management companies. The rippling effect was adversely felt across the entire financial sector due to the linkages among these institutions and the rest of the real economy. Recovery only began towards the later part of the year.

As at the end of 2019, the number of Rural and Community Banks (RCBs) in Ghana stood at 144, with total asset base of approximately GHS4.69 billion.The non-performing loans ratio attributed to the RCB sector improved marginally from 12.7% at the year end of 2018 to 11.5% in 2019. In terms of the general economy, the year 2019 was characterized by the following economic factors:

1. **Inflation**
   The inflation rate was 9.4% at the beginning of year 2019, but it ended the year at 7.9%. The lower rate at the year-end was on the back of lower food prices amidst stable non-food prices.

2. **Interest Rate**
   The yield on the benchmark interest rates over the period were as follows:

   i. The 91-day Treasury bill rate increased from 14.60% in January 2019 to 14.70% in December 2019.
   ii. The 182-day Treasury bill rate increased from 15.04% in January 2019 to 15.15% in December 2019.
   iii. The one-year fixed note increased from 16.57% in January 2019 to 17.89% in December 2019.

3. **Bank of Ghana Policy Rate**
   The Bank of Ghana's monetary policy rate was maintained at 16% for the rest of the year after it was reduced by 100 basis points in the latter part of January 2019. This stance by the Central Bank influenced the relative stability of yields on treasury securities, except for the one-year fixed note.

4. **Depreciation of the Cedi**
   The Ghana cedi lost 12.90% of its value to the US dollar between January and December 2019. There were also sharp depreciation rates of the cedi against the British Pound and the Euro over

the period. The annual depreciations of the cedi against the two foreign currencies were 15.70% and 11.20%, respectively. Foreign currency developments affected the cost structure of the bank in many ways.

BANKING SECTOR CLEAN-UP AND THE BANK'S LOCKED-UP FUNDS

In 2019, the financial sector clean-up by the Bank of Ghana (BoG) and Securities and Exchange Commission (SEC) resulted in the collapse of some banks and other financial institutions. Our investments amounting to GHS 24,559,688.55 were locked up with some of these institutions. Our profit for the year under review was therefore negatively impacted by the fall in interest incomes from these investments. The bank has however received a significant portion of these funds and hopes that the remaining amount will be received by the end of this year.

OPERATING RESULTS

The operational results of the Bank for the year 2019 are as shown below:

	PERFORMANCE INDICATOR	2019 (GHS)	2018 (GHS)	INCREASE (%)
A.	Total Operating Income	14,829,105	16,719,137	-11.30
B.	Total Operating Expenses	14,486,030	14,325,633	1.12
C.	Pre-Tax Profit	343,075	2,393,504	-85.67
D.	Profit After Tax	316,560	1,668,073	-81.02
E.	Total Deposits	73,042,901	64,894,142	12.56
F.	Total Advances	21,050,094	20,533,544	2.51
G.	Total Investment	45,467,079	41,480,453	9.61
H.	Shareholders' Fund	8,340,217	10,879,900	-2.33
I.	Total assets	83,367,147	77,363,492	7.76

The Bank's performance for the period was highly influenced by developments in the general economy, including regulatory directives in the course of the year. The Bank is poised for sustainable growth as a result of the enormous opportunities available to it in its catchment areas and beyond.

FIVE-YEAR FINANCIAL PERFORMANCE SUMMARY

A five-year comparative performance summary of the Bank is as presented below:

PERFORMANCE INDICATOR	2019 (GHS)	2018 (GHS)	2017 (GHS)	2016 (GHS)	2015 (GHS)
Total Operating Income	14,829,105	16,719,137	15,720,192	12,680,405	10,738,452
Total Operating Expenses	14,486,030	14,325,633	12,580,921	10,217,052	8,475,901
Profit Before Tax	343,075	2,393,504	3,139,271	2,463,353	2,262,551
Profit After Tax	316,560	1,668,073	2,416,842	2,083,213	2,060,744
Total Deposit	73,042,901	64,894,142	53,325,029	43,446,677	30,258,530
Net Advances	21,050,094	20,533,544	20,982,051	17,677,456	15,985,185

Investments	45,467,079	41,480,453	30,643,201	23,255,991	13,351,145
Stated Capital	4,466,086	4,333,152	4,112,588	2,411,286	2,142,888
Shareholders' Fund	8,340,217	10,879,900	10,166,387	8,343,190	6,764,934
Total Assets	83,367,147	77,363,492	64,420,043	53,617,368	38,345,770

DIVIDENDS AND STATED CAPITAL

In compliance with the Bank of Ghana's directive to all banks not to make any distributions to shareholders in 2020 and 2021, the Board is not making any recommendation for the payment of dividends this year.

The Bank's capital adequacy ratio as at 31st December 2019, was 10.20% compared with Bank of Ghana's required ratio of 10%. It is in the interest of the Bank and its shareholders to hold substantial amount of capital to protect depositors' funds and to support the business strategy. Shareholders are therefore encouraged to buy more shares to increase the capital base of the bank in support of future growth prospects.

CORPORATE SOCIAL RESPONSIBILITY

Our bank continued to support and contribute to its local communities in the form of Corporate Social Responsibility (CSR) in various ways. A total sum of GHS 181,930 was incurred for this purpose. This included GHS 83,145 in the form of scholarship disbursements to brilliant but needy students in the bank's operating communities. Particular donations made included the following, among others:

i. Provision of pipe borne water for Younguase Kpom Community
ii. Provision of dual desks for Matse Israel School
iii. Donation to Sisiamang Yiti towards road rehabilitation
iv. Provision of dual desks to Ogome Anglican School
v. Donation to Akro Senior High School towards bungalow construction
vi. Donation to Manya Krobo Senior High School
vii. Donation to Kpong Awareness team towards Abolofest 2019
viii. Donation to Ngmayem Planning Committee towards 2019 festival
ix. Donation towards Farmers' Day Celebrations
x. Scholarship given to brilliant but needy students.

GHANA CLUB 100 AWARD

In 2019 as well, the Bank was recognized in the Ghana Club 100 awards. It received its fourth award in five years by placing 60th among the 100 best managed institutions in the country. This followed its 59th position in 2018 and I would like to dedicate the award to our cherished shareholders for the confidence you have reposed in the board and management to steer the affairs of this great institution.

GROWTH STRATEGY/ DEPOSIT MOBILIZATION

As part of the Bank's growth strategy, a new Deposit Mobilization Center was opened at Ashaley Botwe, near Madina, Accra, in March 2019. The center, which was the fifth to be established by the Bank, was envisaged to provide reliable financial services to residents of Ashaley Botwe and its environs. As a further boost to make our services available at any time of the day, the Bank has also installed Automated Teller Machines (ATMs) in four of its networked branches namely; Abanse, Somanya, Ashiyie and Ashaiman.

The Bank recognizes the role of technology in service delivery and is therefore making efforts to deploy appropriate platforms to create convenience for our cherished customers.

CREDIT DELIVERY AND RECOVERY

One of the major areas of focus is effective credit delivery and recovery, given the growing loan book and clientele base. As part of the Board's mandate, it has resolved to recover every loan in default. In the case of the existing loans in default, all the necessary measures within the legal framework are being taken towards their full recovery. I will like to plead with all loan defaulters that, in the foremost interest of the bank, they should pay their indebtedness or should come and enter into some form of arrangement with the bank towards full repayment.

THE BOARD

1. **RE-ELECTION OF DIRECTORS**

   Mr. Benjamin Tetteh Apo, Mrs. Mercy Mamle Tetteh and Dr. Desmond Afutu Nartey whose three-year terms have expired are retiring and have offered themselves for re-election. Being eligible for re-election as Directors, the Board recommends them to continue their stewardship.

2. **CHANGES IN BOARD MEMBERSHIP**

   During the year 2019, the then Board Secretary, Mr. R.T. Matey Johnson retired from the Board after 16 years of dedicated service. The Board has also received clearance from the Bank of Ghana for two new directors to join the Board. These are:

i) Mr. Patrick Buckor Amanor- Mr. Amanor has over 19 years experience in banking and finance, working with leading commercial banks in Ghana. His expertise is in investment management and he currently works as a Specialist Consultant assisting the Receiver for defunct Savings and Loans companies, in the discharge of his duties.

ii) Mr. Richard Azina Nartey – Mr. Azina is the Head of the Livelihood Empowerment Against Poverty (LEAP) Management Secretariat (LMS) at the Ministry of Gender, Children and Social Protection. He is an expert in development planning and research, spanning over 18 years.

I would therefore like to present the two new directors to you for your approval.

RESPONSE TO COVID-19 PANDEMIC

In the wake of the COVID-19 pandemic, the Bank triggered its business continuity plan by putting in place measures to avoid infection among staff and to protect customers. This necessitated the acquisition of gun thermometers, nose masks and sanitizers to help in the enforcement of the basic protocols for prevention.

Our bank also made some notable donations, among which were assorted personal protective equipment valued at GHS 33,000 to the Lower Manya Municipal Health Directorate. The Bank also collaborated with the rural banking community to donate to the national COVID-19 fund through the Ghana Association of Bankers. The impact of the pandemic has been huge but our bank is poised to put in place all the necessary measures to ensure that the various stakeholders of the business are protected from any economic and financial losses.

CONCLUSION

On behalf of the Board of Directors, I wish to express my appreciation to all shareholders for your continued support to the bank. The Board remains totally committed to delivering optimum returns in the coming years, bearing in mind key drivers shaping the banking industry. It is my firm belief that we will continue to safeguard and improve the performance of the bank and create sustainable value for shareholders.

My thanks also go to my colleague directors, management and staff of the bank for the various vital roles played by all to making the bank what it is today. I would also like to thank our invited guests and members of the press for honoring our invitation.

May God bless you.

BENJAMIN TETTEH APO (MR.)
CHAIRMAN
BOARD OF DIRECTORS

DIRECTORS' REPORT

For the year ended 31 December 2019

The Board of Directors has pleasure in submitting its annual report of the Bank for the year ended 31st December, 2019 to the members as follows:

Statement of Directors' Responsibilities in Relation to the Financial Statements

The Companies Act, 2019 (Act 992) requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Bank and of its profit or loss for the year.

The Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) requires every bank to prepare annually as at 31st December of each year financial statements and returns in accordance with that Act.

In preparing these financial statements, the Directors are required to:

Select accounting policies which comply with the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and in accordance with International Financial Reporting Standards and to apply them consistently.
Make judgements and estimates that are reasonable and prudent.
Ensure applicable accounting standards have been followed and any material departures disclosed.
Ensure the Financial Statements are prepared on a going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and ensuring that the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Bank and which enable them to ensure that the financial statements comply with the Companies Act, 2019 (Act 992), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and the Anti-Money Laundering Act, 2008 (Act 749) as amended by the Anti-Money Laundering (Amendment) Act, 2014 (Act 874).

They are also responsible for safeguarding the assets of the Bank and hence taking steps for the prevention and detection of fraud and other irregularities, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements.
The above statement, which should be read in conjunction with the report of the auditors, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and the auditors in relation to these financial statements.

DIRECTORS' REPORT CONT'D.

For the year ended 31 December 2019

Nature of Business

The principal activities carried out by the Bank during the year under review were within the limits permitted by its regulations. There were no changes in the authorised businesses of the Bank during the year.

Results of Operations

The results of operations for the year ended 31st December, 2019 are set out in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash flows, Statement of Changes in Equity and Notes to the financial statements from page **19 to 58.**

A summary of the results is as follows:

	2019 GHS	**2018 GHS**
Profit before tax	343,075	2,393,504
Taxation	(26,514)	(725,431)
Profit after tax	**316,560**	**1,668,073**
Total assets	**83,367,147**	**77,363,492**

The Board of Directors considers the state of the Bank's affairs to be satisfactory.

They have a reasonable expectation that the Bank will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing these financial statements.

Stated Capital

The Bank has complied with the minimum stated capital requirement for Rural Banks as directed by the Bank of Ghana.

Dividend

Dividends of GHS1,029,900 were paid to shareholders during the year (2018: GHS1,032,241).

The Directors are unable to recommend the payment of dividend in respect of the year ended 31st December, 2019 as a result of the Bank of Ghana's directive to all banks to suspend distribution of dividend for 2019 and 2020.

Auditor's remuneration
The auditor's remuneration payable for 2019 was GHS50,203 (inclusive of taxes).

Corporate Social Responsibility
The Bank spent an amount of GHS181,130 in 2019 (2018: GHS230,564) on corporate social responsibility to support health, educational and cultural activities.

Capacity Building of Directors
The Directors of the Bank were trained on banking operations, corporate governance, anti-money laundering and risk management during the year.

Interests Register
No entries were made in the interest register during the year.

External Auditors

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

BY ORDER OF THE BOARD

……………………………)
)
) **DIRECTORS**
……………………………)
ODUMASE-KROBO

…………24th June…………, **2020**

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2019

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Manya Krobo Rural Bank Limited, which comprise the Statement of Financial Position as at 31st December 2019, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Cash Flows, and the Statement of Changes in Equity for the year ended on that date and notes to the financial statements including a summary of significant accounting policies and other explanatory notes.

Opinion

In our opinion, the accompanying Financial Statements show a true and fair view of the Financial Position of the Bank as at 31st December 2019, and of its Financial Performance and Cash Flows for the year then ended in accordance with the Companies Act, 2019 (Act 992), the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Anti-Money Laundering Act, 2008 (Act 749) as amended by the Anti-money Laundering Act, 2014 (Act 874), and International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards*) (the Code) issued by the International Ethics Standards Board for Accountants (IESBA) and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

INDEPENDENT AUDITOR'S REPORT CONT'D

For the year ended 31 December 2019

a) Accounting for loans and advances at amortised cost

The loans and advances of the bank for 2019 were found not to have been measured at amortised cost as required by IFRS 9-Financial Instruments: Recognition and Measurement. The alternative method for loan measurement used by the Bank was not in compliance with IFRS 9.

How our audit addressed the key audit matter

Schedules of loans and loan-related fees for the accompanying documentation were obtained for examination.

Our examination of the records resulted in recommendations being made to management to defer all loan-related fees and amortise same through the statement of profit or loss over the term of the loans.

The unamortised portion was offset against the carrying value of the loans at the end of 2019.

b) Provision for Loan Impairment Loss

Manya Krobo Rural Bank Limited assesses its loans and advances for impairment using the Expected Credit Loss Method in compliance with IFRS 9-Financial Instruments: Recognition and Measurement. In using this method, the bank applies significant judgements and assumptions in determining the amount of impairment loss that is expected to occur. The key assumptions which were used in the calculation of the expected credit losses for 2019 included the use of Probabilities of Default, Exposures at Default and Loss Given Defaults.

Based on our risk assessment and industry knowledge, we examined the key judgements/ assumptions made by management including, inter alia:

- Forward-looking economic base case scenarios
- Significant increase or decrease in credit risks
- Probabilities of Default, Exposures at Default and Loss Given Defaults

We also reviewed, on a sample basis, material portfolio of financial assets and assessed the reasonableness of the classification and assumptions which were used in determining the Expected Credit Loss (ECL) for the year.

Our review of the assumptions resulted in additional IFRS impairment provision and recommended same for adjustment by the Bank.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit – taking Institutions Act, 2016 (Act 930) and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material 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.

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

Auditors' Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures 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.
- 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 the 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 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

The Companies Act, 2019 (Act 992) requires that in carrying out our audit we report on the following:

We confirm that:

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

ii. In our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books, and proper returns adequate for the purposes of the audit have been received from branches not visited by us.

iii. The statement of financial position, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity of the Bank are in agreement with the books of account.
iv. We are independent of the Bank pursuant to Section 143 of the Companies Act, 2019 (Act 992).

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

i. The financial statements give a true and fair view of the state of affairs of the Bank and its results for the year ended on that date.
ii. We obtained all the information and explanation required for the efficient performance of our audit.
iii. The transactions of the Bank were within its powers; and
iv. The Bank has generally complied with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930); the Anti-Money Laundering Act, 2008 (Act 749) as amended by the Anti-Money Laundering (Amendment)Act, 2014 (Act 874) and the Anti-Terrorism Act, 2008 (Act 762).

The engagement partner on the audit resulting in this independent auditor's report is **Dr. Adom Adu-Amoah** (Practising Certificate Number: **ICAG/P/1294**)

Particulars of the Auditor

Signature: Morrison & Associates ………………………………………………………
Name: **Morrison & Associates**
Chartered Accountants

Licence Number: ICAG/F/2020/097

Address: 2nd Floor Trinity House, Ring Road East
P.O. Box CT 2890 Cantonments - Accra, Ghana

24th June ………………………………, 2020

Accra, Ghana

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 GHS	2018 GHS
Interest Income	7	17,273,389	19,331,305
Interest Expense	8	(4,079,997)	(3,837,561)
Net Interest Income		**13,193,392**	**15,493,744**
Fees and Commission Income	9	1,574,794	1,144,119
Fee and Commission Expense	10	-	-
Other Operating Income	11	60,920	81,274
Operating Income		**14,829,105**	**16,719,137**
Impairment Loss on Financial Assets	14	(916,111)	(441,115)
Personnel Expenses	12	(7,638,120)	(7,175,203)
Depreciation	20b	(869,636)	(807,367)
Other Administrative Expenses	13	(5,062,164)	(5,901,948)
Profit before tax		**343,075**	**2,393,504**
Income tax expense	15	(26,514)	(725,431)
Profit for the period		**316,560**	**1,668,073**
Other Comprehensive Income			
Gain/ (loss) on equity investment		(96,035)	26,955
Total Comprehensive Income for the year		**220,525**	**1,695,028**

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2019

	Note	2019 GHS	2018 GHS
ASSETS			
Cash and balances with banks	16	9,028,112	5,979,357
Equity investments	18b	1,089,365	1,387,525
Loans and advances to customers	17	21,050,094	20,533,544
Investment securities (debt)	18a	44,377,714	40,092,928
Current tax	15a	-	413,966
Other assets	19	1,908,845	2,857,229
Property, plant and equipment	20	5,913,018	6,098,943
TOTAL ASSETS		**83,367,147**	**77,363,492**
LIABILITIES			
Deposits from customers	21	73,042,901	64,894,142
Borrowings	23	408,930	21,025
Deferred tax	15b	325,563	592,956
Other liabilities	22	651,845	657,713
Current tax		171,331	-
Dividend payable	24	426,360	317,755
TOTAL LIABILITIES		**75,026,929**	**66,483,592**
EQUITY			
Stated capital	25	4,466,086	4,333,152
Income surplus		299,198	3,070,494
Capital surplus		570,611	570,611
Statutory reserve		2,620,154	2,541,014
Regulatory credit risk reserve		449,477	332,874
Deposit for shares		3,771	4,800
Other reserves		(69,080)	26,955
TOTAL EQUITY		**8,340,217**	**10,879,900**
TOTAL LIABILITIES AND EQUITY		**83,367,147**	**77,363,492**

BY ORDER OF THE BOARD

....

.....................................) **DIRECTORS**

ODUMASE - KROBO

24th June, **2020**

STATEMENT OF CASHFLOWS

For the year ended 31 December 2019

Cash flow from Operating Activities	**2019 GHS**	**2018 GHS**
Profit before tax	343,075	2,393,504
Adjustments for:		
Depreciation	869,636	807,367
Impairment on financial assets	916,111	441,115
Bad debt written off	-	(999,804)
Profit from sale of office equipment	(10,238)	-
Net Cash Inflow Before Changes in Operating Assets and Liabilities	**2,118,583**	**2,642,182**
Change in investment securities	(2,088,208)	(8,864,151)
Change in loans and advances	(1,373,625)	658,092
Change in other assets	948,384	(1,627,608)
Change in deposit from customers	8,148,758	11,670,146
Change in other liabilities	(5,868)	87,459
Income tax paid	(763,927)	(750,000)
	4,865,515	**1,173,937**
Net Cash Used in Operating Activities	**6,984,098**	**3,816,119**
Cash Flow from Investing Activities		
Purchase of property, plant and equipment	(1,374,523)	(458,298)
Purchase of equity investment	-	(2,100,000)
Purchase of government bonds	(2,200,000)	-
Proceeds from sale of fixed assets	10,480	-
Proceeds from sale of equity investment	137,760	897,000
Net Cash Used in Investing Activities	**(3,426,283)**	**(1,661,298)**
Cash Flow from Financing Activities		
Proceeds from issue of shares	132,934	220,564
Change in borrowings	387,905	(21,060)
Dividend Paid	(1,029,900)	(1,032,241)
Net Cash Flow from Financing Activities	**(509,061)**	**(832,737)**
Net increase in cash and cash equivalents	**3,048,754**	**1,322,082**
Cash and cash equivalents at 1st January	5,979,357	4,657,274
Cash and cash equivalents at 31st December	**9,028,112**	**5,979,357**
Composition of Cash and Cash Equivalents		
Cash on Hand	2,018,699	1,842,242
Balances with Banks	7,009,413	4,137,115
	9,028,112	**5,979,357**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

2019	Note	STATED CAPITAL	INCOME SURPLUS	STATUTORY RESERVE	CAPITAL SURPLUS	CREDIT RISK RESERVE	OTHER RESERVES	TOTAL EQUITY
		GHS	GHS	GHS	GHS	GHS	GHS	GHS
Balance at 1st January		**4,333,152**	**3,070,493**	**2,541,014**	**570,611**	**332,874**	**31,755**	**10,879,900**
Prior-year adjustment	**31.0**	**-**	**(1,753,609)**	**-**	**-**	**-**	**-**	**(1,753,609)**
Restated balance		**4,333,152**	**1,316,884**	**2,541,014**	**570,611**	**332,874**	**31,755**	**9,126,291**
Comprehensive Income								**-**
Profit for the year			316,560					**316,560**
Loss on equity investments							(96,035)	**(96,035)**
Total Comprehensive Income			**316,560**				**(96,035)**	**220,525**
Transactions with owners								**-**
Dividend declared during the year		-	(1,138,503)	-	-	-		**(1,138,503)**
Deposit for shares capitalised		1,029					(1,029)	**-**
Additional share issue		131,905	-	-	-	-	**-**	**131,905**
Regulatory credit risk reserve		-	(116,603)	-		116,603		**-**
Transfer to Statutory Reserve		-	(79,140)	79,140	-	-	**-**	**-**
Total transactions with owners		**132,934**	**(1,334,246)**	**79,140**	**-**	**116,603**	**(1,029)**	**(1,006,598)**
Balance at 31st December		**4,466,086**	**299,198**	**2,620,154**	**570,611**	**449,477**	**(65,309)**	**8,340,217**

2018	Note	STATED CAPITAL	INCOME SURPLUS	STATUTORY RESERVE	CAPITAL SURPLUS	CREDIT RISK RESERVE	OTHER RESERVES	TOTAL EQUITY
		GHS	GHS	GHS	GHS	GHS	GHS	GHS
Balance at 1st January		**4,112,588**	**3,700,191**	**1,706,977**	**570,611**	**-**	**76,020**	**10,166,387**
Prior-year adjustment (31.0)		-	(1,130,860)	-	-	-	-	**(1,130,860)**
Restated balance		**4,112,588**	**2,569,331**	**1,706,977**	**570,611**	**-**	**76,020**	**9,035,527**
Comprehensive Income								
Profit for the year			1,668,073					**1,668,073**
Gain on equity investments							26,955	**26,955**
Total Comprehensive Income			**1,668,073**				**26,955**	**1,695,028**
Transactions with owners								**-**
Dividend payable		-	-	-	-	-		**-**
Deposit for shares capitalised		71,220					(71,220)	**-**
Additional share issue		149,344	-	-	-	-	**-**	**149,344**
Regulatory credit risk reserve		-	(332,874)	-		332,874		**-**
Transfer to Statutory Reserve		-	(834,037)	834,037	-	-	**-**	**-**
Total transactions with owners		**220,564**	**(1,166,911)**	**834,037**	**-**	**332,874**	**(71,220)**	**149,344**
Balance at 31st December		**4,333,152**	**3,070,493**	**2,541,014**	**570,611**	**332,874**	**31,755**	**10,879,900**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. REPORTING ENTITY

Manya Krobo Rural Bank Limited is a company limited by shares and incorporated under the Companies Act, 2019 (Act 992) and domiciled in Ghana. The address of the Bank's registered office is P.O. Box 176, Odumase-Krobo.

The Bank operates with a banking license that allows it to undertake the business of rural banking in its catchment area.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and, adopted by the Institute of Chartered Accountants, Ghana (ICAG) and Guide for Financial Publications for Banks & BOG licensed Financial Institutions. These financial statements were approved by the Board of Directors on 19th June, 2020.

2.2 Basis of Measurement

The financial statements have been prepared in accordance with the relevant International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board and in the manner required by the Companies Act, 2019 (Act 992).

2.3 Functional and Presentation Currency

The financial statements are presented in Ghana Cedi (GHS), which is the Bank's functional currency.

2.4 Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS CONT'D.

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Foreign Currency Transactions

Transactions in foreign currencies are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the exchange rate at that date (closing rate). The foreign currency gain or loss on monetary items is the difference between amortised cost at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments which are recognised in Other Comprehensive Income (OCI).

3.2 Interest

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

Interest income and expense presented in the statement of profit or loss include:

- Interest on financial assets and financial liabilities at amortised cost on an effective interest rate basis.
- Interest on securities is computed on effective interest rate basis.

3.3 Fees and Commission

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

Other fees and commission income, including account processing fees and commitment fees are recognised as the related services are performed. When a loan commitment is not expected to result in the drawdown of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period/year.

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

3.4 Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss/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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of 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.

3.5 IFRS 9- Financial Instruments

3.5.1 Financial Assets and Liabilities

3.5.1.1 Recognition

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

3.5.1.2 De-recognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

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

3.5.1.3 Offsetting

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

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

3.5.1.4 **Classification and Measurement**

The Bank classifies its financial assets based on the business model within which they are managed and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost (AC), fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

Financial Assets whose contractual terms give rise on specified dates to collect cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding are initially measured at fair value and subsequently measured at Amortised Cost. A significant portion of the Bank's financial assets (loans and advances) and financial liabilities (Deposits from customers and borrowings) fall into this classification.

Note 6 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

3.5.1.5 Amortised Cost Measurement

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

3.5.1.6 *Fair Value Measurement*

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

The fair value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

3.5.1.7 *Designation at Fair Value Through Profit or Loss*

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

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

3.5.1.8 *Identification and Measurement of Impairment*

At each reporting date, the Bank determines whether there is significant increase in credit risk since initial recognition of the financial asset or no significant increase in credit risk since initial recognition. In assessing whether a significant increase in credit risk has occurred, the Bank applies a multifactor approach using quantitative measures (e.g. changes in probability of default or credit score since origination), and qualitative factors such as macro-economic developments and changes in specific business environments.

There is a rebuttable presumption that all financial assets that are 30 days past due are considered to have experienced a significant increase in credit risk.

Where there is significant increase in credit risk since initial recognition the Bank measures the loss allowance for a financial instrument at an amount equal to lifetime Expected Credit Losses. In the case of no significant increase in credit risk, the Bank measures the loss allowance for a financial instrument at an amount equal to 12-month Expected Credit Losses.

The Bank considers evidence of impairment at both an individual and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

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

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

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

The Bank's Expected Credit Loss model
The Bank follows a three-stage approach to impairment for its financial assets.

Stage 1: when a significant increase in credit risk since initial recognition has not occurred, a 12-month ECL is recognized for 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 Under-Performing but not yet defaulted.

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

The Bank's ECL model uses three key input parameters for the calculation of the expected credit losses, being:

- probability of default (PD),
- exposure at default (EAD) and
- loss given default (LGD).

PD is the estimate of the likelihood of default over a given time horizon. Key drivers include customer characteristics which are adjusted with forward-looking macro-economic scenarios which are likely to impact the risk of default.

EAD represents the expected balance at default after taking into account any projected repayment of principal and interest together with any expected drawdowns of committed facilities until the default event occurs. The EAD will be discounted back to the reporting date using the effective interest rate (EIR) determined at initial recognition. Discounting is calculated over a 12-month period for Stage 1 loans or over either the behavioural life or the remaining term life, whichever is shorter, for Stage 2 loans.

LGD represents the expected losses on the EAD after taking into account cash recoveries, including the value of collateral, discounted over the time it is expected to be realized. Expected cash recoveries are discounted at the original EIR of the loan, back to the default date.

3.6 Cash and Cash Equivalents

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

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

3.7 Loans and Advances

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

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

3.8 Investments

These are initially measured at fair value plus incremental direct transaction costs. They are subsequently accounted for depending on their classification as either fair value through profit or loss or fair value through other comprehensive income.

3.8.1 Fair Value through Other Comprehensive Income

The Bank carries its investments (other than securities) at fair value through other comprehensive income, with fair value changes recognised immediately in other comprehensive income.

3.8.2 Fair Value through Profit or Loss

The Bank carries its investment securities (treasury bills) at fair value, with fair value changes recognised immediately in profit or loss.

3.9 Adoption of Leases – IFRS 16

The Bank has adopted IFRS 16, with effect from 1st January 2019. The final version of this standard was issued in January 2016, by the International Accounting Standards Board (IASB) to replace IAS 17, the previous accounting standard for leases.

The key difference between IAS 17 and IFRS 16 is that IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases under IAS 17. That is, a single model of accounting for every lease for the lessee has been introduced by IFRS 16.

Lessees are required to apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases is similar to the finance lease accounting method under IAS 17, with interest and depreciation expense recognised separately in the statement of profit or loss. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

IFRS 16.1, Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors are required to continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

3.9.1 Recognition and Measurement

Leases are capitalised by recognising the present value of the lease payments and showing them either as leased assets (right-of-use assets) or together with property, plant and equipment.

If lease payments are made over time, a financial liability is recognised representing the Bank's obligation to make future lease payments.

Impact of IFRS 16 on the Financial Statements

The adoption of IFRS 16 did not have significant impact on the Bank's financial statements. Most of the Bank's assets were either leased for a short-term, the lease payments were immaterial, or payments were made in advance in acquisition of right-of-use over the lease period. All the lease payments made in advance during the year were treated as rent prepayments (current assets).

Relevant portions of previous advance payments were amortised through the Statement of Profit or Loss as expenses.

3.10 Property, Plant & Equipment

3.10.1 Recognition and Measurement

Items of property, plant & equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When components of an item of property, plant or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant or equipment.

3.10.2 Subsequent Costs

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

3.10.3 Revaluation Model

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

Revaluation model is used for only property and surpluses on such revaluations are restricted to tier-two capital with respect to Capital Adequacy Ratio computation.

3.10.4 Depreciation

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

Annual depreciation rates of items of Property, plant and equipment have been assessed as follows:

- Buildings 2.0%
- Motor vehicles 25%
- Office furniture and fittings 20%
- Office equipment 20 %
- Leased assets over the duration of the lease

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

3.11 Intangible Assets

An intangible asset is generally 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 intangible assets at each reporting date and the appropriate adjustments made.

3.11.1 Software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of the Bank's software is four years.

3.12 Impairment of Non-Financial Assets

The carrying amounts of the Bank's non-financial assets, other than investment property and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.13 Provisions

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

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

3.14 Employee Benefits

3.14.1 Short-term Benefits

Short-term employee benefits are amounts payable to employees that fall due wholly within 12 months after the end of the year in which the employee renders the related service.

The cost of short-term employee benefits is recognised as an expense in the year when the economic benefit is given, as an employment cost. Unpaid short-term employee benefits as at the end of the accounting year are recognised as an accrued expense and any short-term benefit paid in advance are recognised as prepayment to the extent that it will lead to a future cash refund or a reduction in future cash payment.

Wages and salaries payable to employees are recognised as an expense in profit or loss at gross amount. The Bank's contribution to Tier 1, 2, and 3 of the National Pensions Scheme are also charged as expenses.

3.14.2 Social Security and National Insurance Trust (SSNIT)

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

3.14.3 Provident Fund

The Bank has a Provident Fund Scheme for all permanent employees. Employees contribute 10% of their basic salary to the Fund with the Bank also contributing amounts equivalent to 7.5% of the employee's basic salary. The Bank's obligation under the Fund is limited to the relevant contribution which is invested at interest rates agreed by the Trustees of the Scheme and the Bank.

3.15 Share Capital and Reserves

3.15.1 Share Issue Costs

Expenses attributable to issue of equity instruments are expensed.

3.15.2 Dividends

Dividends are recognised as a liability in the year in which they are proposed or declared.

3.16 ***Borrowings (Liabilities to Banks and Customers)***

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

4 RISK MANAGEMENT

4.0.1 Introduction and Overview

Risk management is fundamental to the long-term profitability and survival of the Bank. The Bank manages risk through a continuous process of identifying, measuring and controlling risks inherent in its operations.

4.0.2 Categories of Risk

Risk is inherent in every material business activity of the Bank. The nature of the Bank's operations exposes it to the following risks:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk;

4.1 Credit Risk

Credit risk refers to the risk that a borrower defaults in repaying a credit facility either in full or in part or that counterparty fails to meet its contractual obligation on a financial instrument thereby resulting in financial loss to the Bank.

The principal sources of credit risk inherent in the Bank's operations arise from loans and advances to customers and investment securities (placements).

The Bank pursues a prudent policy for granting credit facilities to customers. The Bank also applies the Know Your Customer (KYC) principle when granting credit facilities to customers. In other words, credit facilities are granted to businesses whose management, integrity and expertise are known and considered to be acceptable by the Bank. In addition, the Bank adequately assesses the financial performance of the businesses of borrowers before granting credit facilities to such businesses.

Credit facilities granted to customers, both corporate and retail, are closely monitored on a regular basis to uncover early warning signals of non-performance for the necessary remedial measures to be taken.

The Bank requires appropriate collateral to secure credit facilities granted to borrowers. Collateral is security in the form of an asset or third-party obligation that serves to mitigate the inherent risk of credit loss in an exposure, by either substituting the borrower default risk or improving recoveries in the event of a default.

The Bank has adopted the following internal credit grading system in classifying its credit portfolio:

Grade	**Description**	**Days Overdue**
1	Current	Less than 30 days
2	OLEM	30 to 90 days
3	Substandard	91 to180 days
4	Doubtful	181 to 365 days
5	Loss	More than 365 days

Collaterals held as security against credit risk consist mainly of mortgages over landed property as well as cash and Government securities.

4.1.1 EXPOSURE TO CREDIT RISK

The maximum amount of credit risk by class of financial asset as at 31st December, 2019 was as follows:

31/12/2019	FV through Profit or loss	FV through OCI	Amortised Cost	Total Amount
	GHS	GHS	GHS	GHS
Cash and balances with banks	7,009,413	-	-	7,009,413
Investment Securities (excluding bonds)	44,455,388	-	-	44,455,388
Government bonds	-	-	3,200,000	3,200,000
Loans and Advances to Customers	-	-	23,276,502	23,276,502
Equity investments	-	1,152,014	-	1,152,014
	51,464,801	**1,152,014**	**26,476,501**	**79,093,316**

31/12/2018	FV through Profit or loss	FV through OCI	Amortised Cost	Total Amount
	GHS	GHS	GHS	GHS
Cash and balances with banks	4,137,115	-	-	4,137,115
Investment securities (excluding bonds)	40,385,608	-	-	40,385,608
Government bonds	-	-	1,000,000	1,000,000
Loans and advances to customers	-	-	21,902,876	21,902,876
Equity investments	**-**	**1,450,174**	**-**	**1,450,174**
	44,522,723	**1,450,174**	**22,902,876**	**68,875,774**

4.2 Liquidity Risk

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

Liquidity risk could occur if customers suddenly withdraw more funds than expected which cannot be met from the Bank's available cash resources, from selling or pledging assets, or by borrowing funds from third parties. Liquidity risk could also occur if the Bank is unable to meet committed loan disbursements.

4.2.1 Management of Liquidity Risk

Management of liquidity risk enables the Bank to minimise the mismatch in the timing of cash flows relating to its assets and liabilities and also ensures that it meets its cash reserve requirement.

The Bank determines and monitors the daily liquidity position by preparing daily liquidity reports which summarise the daily cash inflows and outflows and reserve requirements. Any required borrowings or placements are actioned by management within the framework of the treasury guidelines. Daily reports are subsequently submitted to management for approval. The Bank also monitors compliance with regulatory limits on a daily basis.

A branch's daily cash holding depends on projected cash withdrawals and deposits based on past experience. In locations where there is more than one branch of the Bank, the other branch/branches serve as a source of cash replenishment for a cash deficit branch.

It is the Bank's policy to have adequate and up to date contingency funding plans to enable the Bank to respond effectively to liquidity stress events at various levels of severity. These policies are based on stress scenarios and include potential funding strategies and sources.

Management meets regularly to review the liquidity position of the Bank in line with the treasury and investment policy of the Bank. The Bank maintained a healthy liquidity position throughout 2019.

4.4.2 EXPOSURE TO LIQUIDITY RISK

The bank's exposure to liquidity risk as measured by liquidity gap analysis is summarised in the table below:

2019 ASSETS	Total GHS	Less than 1 to 3 months GHS	3 to 6 months GHS	6 to 12 months GHS	More than 1 year GHS
Cash and bank balances	**9,028,112**	9,028,112	-	-	-
Investments	**45,467,079**	7,969,567	4,258,085	30,039,427	3,200,000
Loans and advances	**21,050,094**	4,078,344	5,212,422	2,900,124	8,859,204
Other assets	**1,908,845**	-	-	1,908,845	-
Property, plant and equipment	**5,913,018**	-	-	-	5,913,018
Total Assets	**83,367,147**	**21,076,023**	**9,470,507**	**34,848,396**	**17,972,221**
LIABILITIES	**-**				
Deposits from customers	**73,042,901**	19,369,998	8,244,342	30,048,878	15,379,683
Other liabilities	**1,575,098**	104,175	114,611	433,059	923,253
Borrowings	**408,930**	81,786	122,679	204,465	-
Total liabilities	**75,026,929**	19,555,959	8,481,632	30,686,402	16,302,936
Net Liquidity Gap	**8,340,218**	**1,520,064**	**988,874**	**4,161,994**	**1,669,285**

* There were no contingencies during the year

2018 ASSETS	Total GHS	Less than 1 to 3 months GHS	3 to 6 months GHS	6 to 12 months GHS	More than 1 year GHS
Cash and bank balances	**5,979,357**	5,979,357	-	-	-
Investments	**41,480,453**	7,819,659	2,826,499	29,834,296	1,000,000
Loans and advances	**20,533,544**	3,609,577	4,909,913	4,996,948	7,017,106
Other assets	**3,271,195**	-	-	2,857,229	413,966
Property, plant and equipment	**6,098,943**	-	-	-	6,098,943
Total Assets	77,363,492	**17,408,593**	**7,736,412**	**37,688,473**	**14,530,014**
LIABILITIES					
Deposits from customers	**64,894,142**	15,376,033	5,900,663	34,308,464	9,308,982
Other liabilities	**1,568,425**	1,022,550	341,575	204,300	-
Borrowings	**21,025**	5,265	5,265	10,495	-
Total liabilities	**66,483,592**	**16,403,848**	**6,247,503**	**34,523,259**	**9,308,982**
Net Liquidity Gap	**10,879,900**	**1,004,745**	**1,488,909**	**3,165,214**	**5,221,032**

* There were no contingencies during the year

4.3 Market Risk

Market risk is the potential for losses arising from movements in interest rates, exchange rates, equity prices and commodity prices. The Bank is currently exposed to interest rate risk.

4.3.1 Management of Market Risk

4.3.1.1 Exposure to Interest Rate Risk

Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustment within a specified period. The Bank's lending, investment and funding activities give rise to interest rate risk because it carries a mix of both fixed and floating rate assets and liabilities on its books.

The Bank monitors its interest-bearing assets and liabilities closely and takes remedial action to address potential risks.

4.4 Operational Risks

Operational risk is the potential for loss arising from inadequate or failed processes, people and systems, staff misconduct or from uncontrolled external events.

Operational risk may arise from:

a. Failure to manage systems, operations, transactions and assets;
b. Human errors or loss of customer data;
c. Fraud, theft, cyber attacks and hacking activities; and
d. Natural as well as man-made disasters.

These risks are identified, monitored and controlled through well designed operating procedures and controls, insurance policies, business continuity planning, internal audit and timely and reliable management reporting systems. Operational risk in the Bank is driven by volume of cash flows and transactions as well as other operational risks such as cash shortages, legal expenses, system failures etc.

The Bank's management is primarily responsible for managing operational risk inherent in its banking business. The Bank manages its operational risk by regularly raising awareness of its employees to potential operational losses, improving early warning information systems and allocating risk ownership and responsibilities to branch managers and heads of departments.

Furthermore, the Bank has put in place physical controls to ensure that unauthorised persons do not have access to sensitive areas of the Bank.
The effective management of the Bank's operational risk therefore protects the Bank against unnecessary business disruptions and associated costs.

4.5 Capital Management

The primary objective of capital management in the Bank is to ensure that:

- The Bank complies with the minimum stated capital requirement of Bank of Ghana;
- The Bank complies with the regulatory capital requirement that always enables it to meet the minimum Capital Adequacy Ratio requirement of Bank of Ghana;
- The Bank maintains a strong capital base to maintain investor, creditor and market confidence and to sustain future development of its business.

4.6 Regulatory Capital

The Bank's Regulatory Capital consists of both Tier 1 and Tier 2 capital.
Tier 1 capital consists of stated capital, statutory reserves and retained earnings, after deductions of 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 consists of subordinated liabilities and revaluation surplus.
Total Tier 2 capital is limited to 2% of risk weighted assets.

The Bank's regulatory capital position as at 31st December 2019 is summarised below:

With the implementation of Basel II/III Pillar 1 (Capital Requirement), the Bank of Ghana has issued the Capital Requirement Directive (CRD), based on which a new CAR computation has been adopted by Banks in Ghana effective January 2019.
The 2018 Capital Adequacy Ratios have been restated in line with the new Capital Requirement Directive.

	2019	2018
Tier 1 Capital	**GHS '000**	**GHS '000**
Ordinary share capital	4,466,086	4,333,152
Retained earnings - audited	3,070,494	3,700,191
Profit/ (loss) to date - audited	(2,771,296)	(629,697)
Less Software	-	-
Statutory Reserve	2,620,154	2,541,014
Less intangible assets	(290,809)	(9,385)
Total	**7,094,629**	**9,935,275**
Tier 2 Capital		
Revaluation Reserve	285,306	285,306
Qualifying subordinated Liabilities	3,771	4,800
Total Tier 2 Capital	**289,077**	**290,106**
Tier 2 for CAR (Limited to 2% of RWA)	**289,077**	**290,106**
Total regulatory capital	**7,383,706**	**10,225,380**
Risk weighted Assets		
Credit risk		
On-balance sheet	56,606,363	55,636,560
Off-balance sheet	-	-
Operational Risk	15,756,145	15,039,911
Market Risk	-	-
Total Risk Weighted Assets	**72,362,508**	**70,676,472**

Capital Ratios:		
Total Tier 1 capital/Total Risk Weighted Assets	**9.80**	**14.06**
Total Tier 2 capital/Total Risk Weighted Assets	**0.40**	**0.41**
Total Regulatory Capital/Total Risk Weighted Assets	**10.20**	**14.47**

The Company's regulatory capital meets the required minimum for both the current year and the previous year.

5. USE OF ESTIMATES AND JUDGEMENTS

Management selects and makes disclosures of the Bank's accounting policies and estimates, and the application of these policies and estimates from time to time.

5.1 Key Sources of Estimation Uncertainty

5.1.1 Allowances for Credit Losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in the accounting policy.

The individual counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about counterparty's financial situation and the net realisable value of any underlying collateral.

5.1.2 Determining Fair Values

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

5.2 NEW STANDARDS AND INTERPRETATION

5.2.1 The following new or amended standards are not expected to have a significant impact on the Bank's financial statements.

- Defined Benefit Plan: Employee contributions (Amendments to IAS 11).
- IFRS 14 regulatory deferral accounts.
- Accounting for acquisitions of interest in joint operations (Amendments to IFRS 11).
- Clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38).

5.2.2 IFRIC 23 – Uncertainty over Income Tax Treatments

Uncertainty over income tax treatments (IFRIC 23) was issued by the IFRS Interpretation Committee in June 2017 to clarify the accounting for uncertainties in income taxes.

The interpretation is to be applied to the determination of taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12.

An entity has to consider whether it is probable that the relevant tax authority will accept each tax treatment or group of tax treatments that is used or plans to use in its income tax filing.

IFRIC 23 was effective for annual reporting periods beginning on or after 1st January, 2019 with early adoption permitted. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Bank adopted IFRIC 23 in 2019.

Impact on the financial statements

The impact of IFRIC 23 on tax accounting was not material to the Bank.

5.2.3 IFRS 16 – Leases

The IASB in January 2016 issued IFRS 16 Leases as the new standard for accounting for leases. This replaces IAS 17 leases effective from annual periods beginning on or after 1st January, 2019.

Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short-term' leases of 'low-value' assets.

The Bank has adopted this Standard effective 1st January, 2019.

The new standard does not significantly change the accounting for leases for lessors. However, it required lessees to recognise most leases on their statement of financial position as lease liabilities, with the corresponding right of use assets.

Generally, the profit or loss recognition pattern for recognised leases will continue to be similar to the current finance lease accounting methods, with interest and depreciation expense recognised separately in the statement of profit or loss. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.

Impact on the financial statements

The impact on the Bank's financial reporting, asset financing, IT systems, processes and controls was immaterial.

6 FINANCIAL ASSETS AND LIABILITIES

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their carrying values.

31/12/2019	FV through Profit or loss	FV through OCI	Amortised Cost	Total Amount	Carrying Value
	GHS	GHS	GHS	GHS	GHS
Cash and balances with banks	9,028,112	-	-	9,028,112	9,028,112
Investment securities (placements)		-	33,285,822	33,285,822	33,208,147
Treasury bills	7,969,567	-	-	7,969,567	7,969,567
Government bonds	-	-	3,200,000	3,200,000	3,200,000
Loans and advances to customers	-	-	23,276,502	23,276,502	21,050,094
Equity investments	-	1,089,365	-	1,089,365	1,089,365
	16,997,679	**1,089,365**	**59,762,323**	**77,849,366**	**75,545,284**
Deposit from customers	-	-	73,042,901	73,042,901	73,042,901
Borrowings	-	-	408,930	408,930	408,930
Payables and accruals	-	-	570,322	570,322	570,322
	-	**-**	**74,022,154**	**74,022,154**	**74,022,154**

31/12/2018	FV through Profit or loss	FV through OCI	Amortised Cost	Total Amount	Carrying Value
	GHS	GHS	GHS	GHS	GHS
Cash and balances with banks	5,979,357	-	-	5,979,357	5,979,357
Investment securities (placements)		-	33,893,109	33,893,109	33,834,296
Treasury bills	5,492,499	-	-	5,492,499	5,258,633
Government bonds	-	-	1,000,000	1,000,000	1,000,000
Loans and advances to customers	-	-	21,902,876	21,902,876	20,875,355
Equity investments	-	1,387,525	-	1,387,525	1,387,525
	11,471,856	**1,387,525**	**56,795,985**	**69,655,367**	**68,335,166**
Deposit from customers	-	-	64,894,142	64,894,142	64,894,142
Borrowings	-	-	21,025	21,025	21,025
Payables and accruals	-	-	316,138	316,138	316,138
	-	**-**	**65,231,305**	**65,231,305**	**65,231,305**

***NB:** FV = Fair Value
OCI = Other Comprehensive Income

		2019 GHS	2018 GHS
7	**INTEREST INCOME**		
	Interest on loans and overdrafts	11,072,725	11,210,786
	Interest on Investment	5,281,183	7,770,680
	Amortisation of deferred commissions/fees	919,481	349,840
		17,273,389	**19,331,305**
8	**INTEREST EXPENSE**		
	Interest on borrowings	2,822	7,780
	Interest on savings	1,304,519	1,062,822
	Interest on time deposits	2,772,656	2,766,959
		4,079,997	**3,837,561**
9	**FEES AND COMMISSION INCOME**		
	SMS Charges	136,513	77,414
	Commission from bancassurance	110,457	40,417
	Income from remittances	144,917	11,702
	Commitment fees	345,560	423,987
	Commission on turnover	858,983	1,043,146
	Interest on clearing accounts	12,226	9,062
	Other fees	598,273	230,041
		2,206,929	**1,835,769**
	Deferred commissions/fees	(632,135)	(691,651)
		1,574,794	**1,144,119**
10	**FEES AND COMMISSION EXPENSE**	**-**	**-**
11	**OTHER OPERATING INCOME**		
	Profit from sale of fixed assets	10,238	-
	Income from sale of stationery stock	50,682	81,274
		60,920	**81,274**

		2019	2018
12	**PERSONNEL EXPENSES**	**2019**	**2018**
		GHS	**GHS**
	Salaries	6,145,270	5,805,239
	Directors' remuneration	213,982	224,300
	Medical expenses	154,916	92,719
	Training	170,330	220,163
	Other staff cost	953,622	832,781
		7,638,120	**7,175,203**
13	**OTHER ADMINISTRATIVE EXPENSES**		
	General administrative expenses	4,550,085	5,062,621
	Advertising	49,177	54,827
	Auditor's remuneration	50,203	35,438
	Rent and rates	230,768	518,500
	Community support	181,930	230,564
		5,062,164	**5,901,948**
14	**IMPAIRMENT LOSS ON FINANCIAL ASSETS**		
	Balance b/f	548,838	1,578,917
	Prior-year adjustment	-	(471,390)
		548,838	**1,107,527**
	Charge for the year (loans and advances)	897,249	382,302
	Bad debt written off	-	(999,804)
		1,446,088	**490,025**
	Charge for the year- investment securities	18,862	58,813
		1,464,949	**548,838**
	Total Impairment charge for the year	**916,111**	**441,115**
14.1	**ANALYSIS OF LOAN IMPAIRMENT ALLOWANCE**		
	Individually assessed	1,446,088	490,025
	Collectively assessed	-	-
		1,446,088	**490,025**
	Provisions per Bank of Ghana	1,895,565	822,899
	Provisions per IFRS	(1,446,088)	(490,025)
	Regulatory Credit Risk Reserve	**449,477**	**332,874**

15 INCOME TAX

		Year of Assessment	Balance 1/1/2019 GHS	Charge for the year GHS	Payment made during the year GHS	Balance at 31/12/2019 GHS
(a)	Current Tax	2016	(247,200)	-	-	(247,200)
		2017	(212,685)	-	-	(212,685)
		2018	45,919	-	-	45,919
		Prior-year	1,055,316	-	-	1,055,316
		2019	-	293,908	(763,927)	(470,018)
			641,350	**293,908**	**(763,927)**	**171,331**
(b)	Deferred Tax	**2019**	592,956	(267,394)	-	325,563

(c) Reconciliation of Tax expense to product of Accounting Profit and Applicable Rate

	2019 GHS	2018 GHS
Profit before tax	343,075	2,393,504
Tax at Applicable Rate (25%)	85,769	598,376
Add (Deduct):		
Tax effect of non-deductible Expenses	487,114	451,910
Tax effect of capital allowances	(276,415)	(219,218)
Origination (reversal) of taxable temporary differences	(267,394)	(70,489)
Tax effect of non-taxable income	(2,560)	-
Tax effect of other deductions	-	(35,149)
Tax expense	**26,514**	**725,431**
Effective tax rate	**7.73%**	**30.31%**

The amount provided for Income Tax is subject to agreement with the Ghana Revenue Authority.

16 CASH AND BALANCES WITH BANKS

Cash on Hand	2,018,699	1,842,242
Balances with other banks	1,495,751	349,680
5% Deposit-ARB Apex Bank Ltd	3,623,058	3,165,909
Clearing Account-ARB Apex Bank	1,890,604	621,527
	9,028,112	**5,979,357**

17 LOANS AND ADVANCES TO CUSTOMERS

	2019 GHS	2018 GHS
a ANALYSIS BY TYPE		
Term Loans	20,870,217	18,827,507
Overdrafts	2,406,284	3,075,369
Gross Loans and Advances	**23,276,502**	**21,902,876**
Deferred Commision/Fees	(839,133)	(879,307)
Less: Impairment allowance	(1,387,274)	(490,025)
Net Loans and Advances	**21,050,094**	**20,533,544**

b ANALYSIS BY BUSINESS SEGMENT

	2019 Loans and advances	2018 Loans and advances
Agriculture	41,941	149,293
Transport	1,375,857	708,839
Trading	13,202,826	14,013,626
Staff	986,846	986,954
Others	7,669,032	6,044,163
	23,276,502	**21,902,876**
Deferred commision/fees	(839,133)	(879,307)
Allowance for impairment	(1,387,274)	(490,025)
	21,050,094	**20,533,544**

c ANALYSIS BY CUSTOMER TYPE

	2019 Loans & Advances	2018 Loans & Advances
Individuals	6,519,085	5,945,433
Public and private enterprises/ institutions	7,985,414	7,242,948
Staff	986,846	986,954
Others	7,785,157	7,727,541
	23,276,502	**21,902,876**
Deferred Commision/fees	(839,133)	(879,307)
Less: Impairment allowance	(1,387,274)	(490,025)
Net Loans and Advances	**21,050,094**	**20,533,544**

18 INVESTMENTS

18a INVESTMENT SECURITIES

Treasury bills	7,969,567	5,258,633
Short term placements	30,039,427	31,871,022
Government bonds	3,200,000	1,000,000
	41,208,994	**38,129,655**
Add: Accrued interest	3,246,394	2,022,087
Less: Impairment	(77,675)	(58,813)
	44,377,714	**40,092,928**

18b EQUITY INVESTMENTS

Anglogold Ashanti Limited	3,717	3,717
ARB Apex Bank Limited	69,328	69,328
Manya Klo Cold Store Limited	49,200	49,200
Scancom Limited (MTN Ghana)	967,120	1,265,280
	1,089,365	**1,387,525**

19 OTHER ASSETS

Prepayments	616,372	602,342
Office account	333,781	1,229,907
Inter-agency accounts	41,048	812,683
Stationery stock	97,301	96,553
E-zwich operations	129,773	115,745
Asset held for sale (repossessed asset)	690,571	-
	1,908,845	**2,857,229**

20a PROPERTY, PLANT AND EQUIPMENT

	2019 COST GHS	2019 ACCUMULATED DEPRECIATION GHS	2019 CARRYING VALUE GHS	2018 COST GHS	2018 ACCUMULATED DEPRECIATION GHS	2018 CARRYING VALUE GHS
Building	3,285,740	(394,167)	2,891,573	3,909,861	(315,569)	3,594,292
Motor vehicles and cycles	1,996,325	(1,559,272)	437,053	1,722,747	(1,323,614)	399,133
Office furniture and fittings	410,511	(291,736)	118,775	380,236	(237,730)	142,506
Office equipment	2,252,247	(1,207,342)	1,044,905	1,461,664	(915,286)	546,378
Computer & accessories	962,171	(659,359)	302,811	851,192	(546,560)	304,632
Leasehold improvement	846,782	(261,673)	585,108	801,751	(223,278)	578,473
Bungalow Furniture & Fittings	29,520	(22,548)	6,973	29,520	(21,810)	7,710
Land	525,820	-	525,820	525,820	-	525,820
	10,309,116	**(4,396,098)**	**5,913,018**	**9,682,791**	**(3,583,849)**	**6,098,943**

20b Reconciliation of opening Carrying Value with Closing Carrying Value

2019	Opening Bal. GHS	Addition GHS	Disposal/ Transfer GHS	Depreciation GHS	Closing Bal. GHS
Buildings	3,594,292	66,450	(690,571)	(78,598)	2,891,573
Motor vehicles and cycles	399,133	331,207	(241)	(293,045)	437,054
Office furniture and fittings	142,504	30,275	-	(54,005)	118,773
Office equipment	546,378	790,583	-	(292,056)	1,044,905
Computer & accessories	304,632	110,979	-	(112,799)	302,811
Leasehold improvement	578,475	45,031	-	(38,395)	585,110
Bungalow Furniture & Fittings	7,710	-	-	(737)	6,972
Land	525,820	-	-	-	525,820
	6,098,943	**1,374,523**	**(690,812)**	**(869,636)**	**5,913,018**

20c 2018

	Opening Bal. GHS	Additions GHS	Disposal GHS	Depreciation GHS	Closing Bal. GHS
Building	3,663,243	9,200	-	(78,151)	3,594,292
Motor vehicles and cycles	708,870	-	-	(309,737)	399,133
Office furniture and fittings	151,926	40,740	-	(50,162)	142,504
Office equipment	638,486	125,771	-	(217,879)	546,378
Computer & accessories	372,759	44,529	-	(112,656)	304,632
Leasehold improvement	525,483	88,667	-	(35,675)	578,475
Bungalow Furniture & Fittings	10,815	-	-	(3,105)	7,710
Land	376,429	149,391	-	-	525,820
	6,448,011	**458,298**	**-**	**(807,367)**	**6,098,943**

20d Profit/loss on disposal

	2019 GHS	2018 GHS
Cost of assets	56,296	17,663
Accumulated depreciation	(56,054)	(17,378)
Carrying value	**242**	**285**
Sale proceeds	10,480	3,200
Profit on disposal	**10,238**	**2,915**

21 DEPOSITS FROM CUSTOMERS

Demand Deposits	10,069,491	7,998,322
Time Deposits	20,678,562	19,970,480
Savings Deposits	33,959,015	30,003,698
Others-Susu	7,695,813	6,096,462
	72,402,880	**64,068,962**
Accrued Interest	640,021	825,181
	73,042,901	**64,894,142**

22 OTHER LIABILITIES

Office accounts	433,059	204,300
Payment order/ bills payable	53,972	76,400
Auditor's Remuneration	50,203	35,438
Others	114,611	341,575
	651,845	**657,713**

23 BORROWINGS

ATM Loan/ Rural Financial Service	408,930	21,025

24 DIVIDEND PAYABLE

	2019 GHS	2018 GHS
Balance at 1st January	317,755	246,206
Declared during the year	1,138,503	1,103,789
Payment during the year	(1,029,900)	(1,032,241)
Balance at 31 December	**426,359**	**317,755**

25 STATED CAPITAL

Authorised		
Ordinary shares		100,000,000
Preference shares		50,000

Issued Shares	2019 Number of shares	Proceeds	2018 Number of shares	Proceeds
Ordinary shares:		GHS		GHS
Issue for cash	16,557,271	1,615,803	16,025,536	1,482,869
Transfer from capital surplus	-	1,220,877	-	1,220,877
Transfer from income surplus	16,503,116	1,629,401	16,503,116	1,629,401
Preference shares	50,000	5	50,000	5
	-	-	-	-
	33,110,387	**4,466,086**	**32,578,652**	**4,333,152**

There are no shares in treasury and no unpaid liabilities on the shares issued.

26 STATEMENT OF CHANGES IN EQUITY

a Stated Capital

In thousands of shares	2019	2018
On issue at 1 January	32,578,652	31,586,840
Issued during the year	531,735	991,812
On issue at 31 December	**33,110,387**	**32,578,652**

b Statutory Reserve

Statutory reserve represents the cumulative amount set aside from annual net profit after tax as required by the Banks and Special Deposit-Taking Institutions Act, 2016 (Act 930).

c Capital surplus

The capital surplus was brought forward from the previous year. It resulted from revaluation of properties.

d 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 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 Instruments: Recognition and Measurement*.

	2019 GHS	2018 GHS
IFRS impairment	1,446,088	490,025
Bank of Ghana provision	(1,895,565)	(822,899)
Transfer to credit risk reserve	**(449,477)**	**(322,874)**

An amount of GHS116,603 is posted to credit risk reserve for the year (2018: GHS322,874).

Credit risk reserve is not available for distribution as dividend and inclusion in the adjusted capital base for purposes of Capital Adequacy Ratio (CAR) computation.

e Deposit for shares

This represents an amount contributed by existing shareholders towards equity.

	2019	2018
	GHS	GHS
Deposit for shares	3,771	4,800

27. CONTINGENT LIABILITIES

Based on our review of events of the bank, there were no contingent liabilities as at the Statement of Financial Position date (2018: Nil)

28. CAPITAL EXPENDITURE COMMITMENTS

There were no capital expenditure commitments as at the Statement of Financial Position date. (2018: Nil)

29. RELATED PARTIES

a Transactions with Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning; directing and controlling the activities of Manya Krobo Rural Bank Limited (directly or indirectly) and comprise the directors and senior management.

For the year under review, key management personnel include:

- **Board of Directors** – refer to list on page 1
- **Other key management personnel**

Edmund T. Ohipeni	Chief Executive Officer
Ebenezer Akumatey	Head, Operations
Solomon Godwin Koomson	Head, Finance & Administration
Gordon Ato Sam	Head, Credit *(resigned in July 2019)*
Philip Tetteh	Acting Head, Credit *(from August 2019)*
Samuel Terkpertey Tetteh	Head, Legal *(resigned in March 2019)*
Ernest Kpogli	Head, Internal Audit
Monica Padi	Head, Human Resources
Frederick Agbenyegah	Head, Risk and Compliance

Key management personnel have transacted with the Bank during the year as follows:

	2019	**2018**
	GHS	**GHS**
Mortgage lending and other secured loans	-	-
Other loans	18,000	105,271
	18,000	**105,271**

Key management personnel compensation for the year comprised:

	2019 GHS	2018 GHS
Directors' remuneration	213,982	224,300
Key management staff	346,662	337,481
	560,644	561,781

The Bank does not have any share option policy in place for its executive officers.

b Loans and Advances to Employees

	2019 GHS	2018 GHS
Balance at 1st January	**980,289**	**937,894**
Loans advanced during the year	964,060	826,624
Loan repayments received	(957,503)	(784,229)
Balance at 31st December	**986,846**	**980,289**

c Loans and Advances to Directors and their Associates

The Bank has entered into transactions with its directors as follows:

	2019 GHS	2018 GHS
Gross amount at 1st January	**6,667**	**33,333**
Interest charged	434	2,170
Loans disbursed	-	-
Cash received	(7,101)	(26,667)
Net amount at 31st December	**-**	**6,667**

30.0 ADDITIONAL DISCLOSURES

	2019	2018
Capital Adequacy ratio	10.20%	14.47%
Gross Non – Performing Loans Ratio	9.8%	2%
50 Largest Exposures	18.2%	14.13%
Amount of loans written off	Nil	999,668
Liquidity ratio	68.99%	68.81%

The Capital Adequacy Ratio for 2017 was restated in line with the new capital requirement directive. The CAR for 2017 based on the old format was 17.87%.

31.0 PRIOR-YEAR ADJUSTMENTS

The prior-year adjustments are in respect of income tax asset which was overturned by a tax audit conducted by the Ghana Revenue Authority, release of excess on risk mitigation reserve which was not previously recognised and declared dividends which were not debited to income surplus.

33 VALUE ADDED STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2019

	2019 GHS	2018 GHS
Interest earned and other operating Income	18,909,103	20,556,698
Direct cost	(9,142,161)	(9,739,510)
Value Added by Banking Services	9,766,941	10,817,188
Non - banking income	-	-
Impairment	(916,111)	(441,115)
Value Added	**8,850,830**	**10,376,073**
Distributed as follows:		
To Employees:		
Non-executive directors	(213,982)	(224,300)
Management staff and other employees	(7,424,138)	(6,950,902)
To Government:		
Income tax	(26,514)	(725,431)
To Expansion and Growth		
Depreciation	(869,636)	(807,367)
To Retained Earnings	**316,560**	**1,668,073**

NOTES

FORM OF PROXY

If you wish to vote at the 39th AGM of Manya Krobo Rural Bank Limited, but are unable to attend in person you may appoint a proxy to act on your behalf by completing this form.

I/We appoint the Chairman of the meeting ....
.... (If you wish to appoint someone other than the Chairman as your proxy, delete "the Chairman of the Meeting" and insert the full name of your proxy).
As my/our proxy to vote on my/our behalf at the A.G.M. of Manya Krobo Rural Bank Limited event to be held virtual on Saturday 19th December, 2020 at 10:00am via Zoom, Facebook live and controlled from Ensign College of Health, Kpong.

ANNUAL GENERAL MEETING

	For	Against
Resolution 1: To authorize the amendment of the Regulation of the Bank in compliance with the new Companies Act 2019 (Act 992).		
Resolution 2: To authorize the amendment of the Company's Regulation to provide for the holding of meetings virtually including Annual General Meetings where the directors deem it necessary to do so.		
Resolution 3: To authorize Directors to fix the fees of the Auditors		
Resolution 4: To fix the remuneration of Directors		
Resolution 5: To re-elect retiring Directors		
Resolution 6: To approve new Directors cleared by the Bank of Ghana		

Please indicate with "X" in the appropriate column how you wish your vote to be cast on the resolutions referred to above. Unless otherwise the instructed proxy will vote or abstain from voting at his/her discretion.

Shareholder's signature .... Date .... 2020.

THIS PROXY FORM SHOULD NOT BE COMPLETED AND SENT TO THE CHIEF EXECUTIVE OFFICER IF MEMBER WILL BE ATTENDING MEETING.