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RURAL BANK PLC**



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Mrs. Mercy Mamle Tetteh
Chairperson



Mr. Romeo Bugyei
Member (Retired 27th Nov. 2021)



Mr. Michael Teye Nyaunu
Member



Mr. Benjamin T. Apo
Vice Chairman



Dr. Desmond A. Nartey
Member



Mr. Charles Arkuh
Member (Retired 27th Nov. 2021)



Mr. Patrick A. Buckor
Member



Mr. Peter K. Kornor
Member / External Solicitor



Mr. Richard A. Nartey
Member

BOARD MEMBERS

MANAGEMENT TEAM



Mr. Edmund T. Ohipeni
Chief Executive Officer



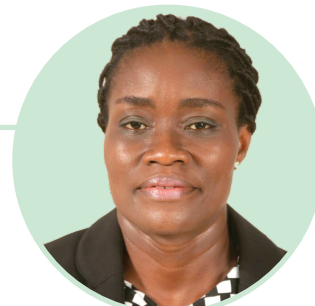
Mr. Ebenezer Akumatey
Head, Banking Operations



Mr. Emile Dawutey Dor
Head, Risk & Compliance and
Anti-money Laundering



Mr. Solomon Godwin Koomson
Head, Finance & Admin.



Mrs. Monica Padi
Head, Human Resource



Mr. Ernest Kpogli
Head, Internal Audit



Philip Tetteh
Head of Credit



Mr. Raphael Kwame Tawiah
Head of Information Technology

TABLE OF CONTENTS

| CONTENTS | PAGE |
|--|---------|
| Notice of Annual General Meeting | 4 |
| Corporate Information | 5 |
| Chairperson's Report..... | 6 - 12 |
| Report of the Directors | 13 - 15 |
| Independent Auditor's Report | 16 - 19 |
| Statement of Profit or Loss and Other Comprehensive Income | 20 |
| Statement of Financial Position | 21 |
| Statement of Cash Flows | 22 |
| Statement of Changes in Equity | 23 |
| Notes to the Financial Statements | 24 - 56 |
| Value Added Statement | 57 |
| Appendix | 58 |
| Proxy Form | 59 |

NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the 41st Annual General Meeting (AGM) of Shareholders of Manya Krobo Rural Bank Plc. will be held on Saturday 27th August, 2022 at 10.00 am prompt. The venue is the Church of Pentecost, Abanse in Odumase-Krobo near the Bank premises, to transact the following business:

1. To read the notice convening the meeting.
2. To receive the report of the Chairperson of the Board of Directors.
3. To receive and consider the reports of the Directors for the year ended 31st December, 2021.
4. To receive and consider the Auditor's report and the financial statements for the year ended 31st December, 2021.
5. To declare a dividend.
6. To authorize the Directors to fix the fees of the Auditors.
7. To fix the remuneration of Directors.
8. To elect Directors in place of those retiring.
9. To transact any other business appropriate to be dealt with at an Annual General Meeting.

DATED THIS 4TH DAY OF JULY, 2022
BY ORDER OF THE BOARD
EDMUND TAWIAH OHIPENI
ACTING SECRETARY

NOTE: Notices will be dispatched to all Shareholders through their contact addresses.

Shareholders who may not receive their copies due to postal challenges may contact any of our branches at Abanse, Somanya, Kpong, Akuse, Ashiyie, Madina or Ashaiman for copies upon presentation of proof of shareholding.

CORPORATE INFORMATION



BOARD OF DIRECTORS:

Mrs. Mercy Mamle Tetteh - *Chairperson*
Mr. Benjamin T. Apo - *Vice Chairman*
Mr. Michael T. Nyaunu - *Non-Executive Director*
Mr. Peter K. Kornor - *Non-Executive Director*
Dr. Desmond A. Nartey - *Non-Executive Director*
Mr. Romeo Bugyei - *Non-Executive Director (Rtd. 27th Nov. 2021)*
Mr. Charles Arkuh - *Non-Executive Director (Rtd. 27th Nov. 2021)*
Mr. Patrick A. Buckor - *Non-Executive Director*
Mr. Richard A. Nartey - *Non-Executive Director*

CHIEF EXECUTIVE OFFICER:

Mr. Edmund T. Ohipeni

ACTING SECRETARY :

Mr. Edmund T. Ohipeni

AUDITORS:

Morrison & Associates
Chartered Accountants
Trinity House, 2nd Floor
Ring Road East
P. O. Box CT2890
Cantonments – Accra
GPS : GA-017-6763

REGISTERED OFFICE:

Manya Krobo Rural Bank Plc.
P. O. Box 176
Bank Premises
Odumase-Krobo
GPS : EL-0028-1828

BANKERS

ARB Apex Bank Limited
Ecobank Ghana Limited
CAL Bank Limited
Barclays Bank (Ghana) Limited (Absa)
Zenith Bank (Ghana) Plc
Consolidated Bank Ghana Plc

BOARD CHAIRPERSON'S REPORT



INTRODUCTION

On behalf of the Board of Directors, I welcome you to the 41st Annual General Meeting of our Bank and to present to you, the Board Chairperson's statement for the financial year ended 31st December, 2021.

Over the past two and half years, Ghana, like the rest of the world, has been severely disrupted by the COVID-19 pandemic. The pandemic prompted the need for the Bank to hold virtual meetings with shareholders on two consecutive occasions, in 2020 and 2021, due to health concerns about mass gatherings. The effect of the pandemic still lingers on, but at a far less infectious pace now, and this has allowed economic activities to pick up once again. This year's face-to-face meeting has given us the opportunity to re-engage directly with shareholders. I am delighted that, notwithstanding the difficult business environment in the past year, our Bank made quite significant gains.

OPERATING ENVIRONMENT

Ghana's GDP growth was 5.4% in 2021, compared with 0.5% growth in 2020. The growth in the non-oil GDP sector was better, at 6.9%, up from 1% in 2020. The growth in 2021 was mainly driven by the services and agriculture sectors, which grew by 9.4% and 8.4% respectively. Industry, however, contracted by 0.8%. The year 2021 was also characterized by the following economic factors:

1. Inflation

The inflation rate in January 2021 was 9.9%. It then moved up to 10.3% in February and March 2021. May 2021 recorded the lowest rate of the year, at 7.5%, after which it began to rise every month till December 2021, when it reached 12.60% (Dec 2020: 10.40%). The upward movement in the inflation rate, especially in the last 7 months of the year, was attributed to food supply challenges, rising crude oil prices and pass-through effects of exchange rate depreciation. To put this in context, the inflation rate of 12.6% in December 2021 was the highest rate of annual inflation since the rebasing of the Consumer Price Index (CPI) basket in 2019.

2. Interest Rate

Yields on benchmark interest rates generally trended downwards over the period as follows:

- i. The 91-day Treasury bill rate declined from 14.08% in January 2021 to 12.50% in December 2021.

- ii. The 182-day Treasury bill rate declined from 14.10% in January 2021 to 13.20% in December 2021.
- iii. The one-year fixed note declined from 17.00% in January 2021 to 16.60% in December 2021.

The Bank of Ghana lowered the monetary policy rate in May 2021 by 100 basis points to 13.5% to provide additional support to the economic recovery efforts. However, the rate was increased back to its previous level of 14.5%, in November 2021, due to intensified price pressures at the time. This monetary policy response was said to be a move to re-anchor the inflationary expectations.

3. Depreciation of the Ghanaian Cedi

The Ghanaian cedi depreciated by 4.09% against the US Dollar, compared with a depreciation rate of 3.9% in 2020. Similarly, the performance of the cedi against the British Pound and the Euro showed depreciation rates of 3.11% (2020: 7.10%) and 3.46% (2020: 12.10%), respectively. The relatively improved performance of the cedi in 2021 compared with 2020, was due to strong reserves build-up and improved import cover at that time. This was against the backdrop of demand pressures created by increased imports, which had accelerated from low levels in 2020 due to the lock-downs, as well as reinvigorated activities from the commerce, energy and manufacturing sectors.

OPERATING RESULTS

The year under review saw upward movements in some key performance indicators for the Bank. The operational results for the year are as shown below:

| | PERFORMANCE INDICATOR | 2021 (GH¢) | 2020 (GH¢) | INCREASE |
|----|--------------------------|-------------|-------------|----------|
| A. | Total Operating Income | 21,429,543 | 16,354,714 | 31.03% |
| B. | Total Operating Expenses | 17,568,350 | 15,732,218 | 11.67% |
| C. | Pre-Tax Profit | 3,861,193 | 622,496 | 520.28% |
| D. | Profit After Tax | 2,957,863 | 297,001 | 895.91% |
| E. | Total Deposits | 107,818,794 | 92,599,415 | 16.44% |
| F. | Gross Loans and Advances | 31,583,815 | 25,609,909 | 23.33% |
| G. | Total Investment | 73,657,601 | 59,552,299 | 23.69% |
| H. | Shareholders' Fund | 11,602,082 | 9,015,823 | 28.69% |
| I. | Total assets | 122,442,636 | 104,541,308 | 17.12% |

• Five-year financial performance summary

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

| PERFORMANCE INDICATOR | 2021 (GH¢) | 2020 (GH¢) | 2019 (GH¢) | 2018 (GH¢) | 2017 (GH¢) |
|------------------------|------------|------------|------------|------------|------------|
| Total Operating Income | 21,429,543 | 16,354,714 | 14,829,105 | 16,719,137 | 15,720,192 |

| | | | | | |
|--------------------------|-------------|-------------|------------|------------|------------|
| Total Operating Expenses | 17,568,350 | 15,732,218 | 14,486,030 | 14,325,633 | 12,580,921 |
| Pre-Tax Profit | 3,861,193 | 622,496 | 343,075 | 2,393,504 | 3,139,271 |
| Profit After Tax | 2,957,863 | 297,001 | 316,560 | 1,668,073 | 2,416,842 |
| Total Deposit | 107,818,794 | 92,599,415 | 73,042,901 | 64,894,142 | 53,325,029 |
| Gross Loans and Advances | 31,583,815 | 25,609,909 | 23,276,502 | 21,902,876 | 22,560,968 |
| Investments | 73,657,601 | 59,552,299 | 45,467,079 | 41,480,453 | 30,643,201 |
| Stated Capital | 4,785,290 | 4,475,918 | 4,466,086 | 4,333,152 | 4,112,588 |
| Shareholders' Fund | 11,602,082 | 9,015,823 | 8,340,217 | 10,879,900 | 10,166,387 |
| Total Assets | 122,442,636 | 104,541,308 | 83,367,147 | 77,363,492 | 64,420,043 |

•Financial performance

After two successive years of low profitability, the Bank made a pre-tax profit of GH¢3.8 million and an after-tax profit of GH¢2.9 million, in 2021. The revenue growth was driven mainly by increase in credit disbursements of 26.85%, from GH¢43.20 million in 2020 to GH¢54.8 million in 2021. The reason for the increased credit activity was the recovery of the economy close to its pre-pandemic level. This performance was complemented by returns from both equity and fixed income securities which increased from GH¢6.5 million in 2020 to GH¢11.0 million in 2021, an impressive growth of 69.23% in one year. The combined percentage contribution of the equity and fixed income securities, relative to the gross revenue, was 41.78% in 2021 compared with 31.59% in 2020.

The balance sheet remained robust with significant year-on-year increase of 17.12% to close the year, 2021, with a total assets base of GH¢122.4 million (2020: GH¢104.5 million). The growth was funded mainly from a 16.41% increase in customer deposits, which brought the cumulative balance to GH¢107.8 million as at 31st December 2021 (2020: 92.6 million).

•Net worth

The net worth of the Bank increased by 28.68% to close the year at GH¢11.6 million from the 2020 position of GH¢9 million. The capital adequacy ratio stood at 15.18% (2020: 11.28%), compared with the regulatory required ratio of 10%, following a significant improvement in the Bank's Tier 1 capital to its risk weighted assets, which rose from 10.60% in 2020 to 14.76% in 2021. The return on equity improved significantly from 3.29% in 2020 to 25.49% in 2021. While, we are happy with the gains, the Board is determined to improve this figure to the 30% target prescribed by the Bank of Ghana. We would also like to encourage Shareholders to keep injecting funds into the Bank in order to enhance its long-term financial sustainability.

•Dividend

Distinguished Shareholders, as you are aware from the last two Annual General Meetings, the Bank of Ghana issued a directive in the early part of 2020 to financial institutions not to pay dividends for the two financial years 2019 and 2020.

I am happy to inform you that the Bank has secured the approval of the Bank of Ghana for a proposed dividend of GH¢0.035 per share for the year 2021. The dividend payout constitutes 40% of the profit made in the year. The year 2021 brought visible results after two years of no dividend payment. I would like to thank all Shareholders for your patience up to this time.

•Credits

The loan book expanded by GH¢5.9 million from a base of GH¢25.6 million in 2020 to end the year at GH¢31.5 million. The loan to deposit ratio improved slightly from 27.65% in 2020 to 29.29% in 2021. At this level of credit operations, the Bank still has sufficient capacity to increase disbursements, contingent on the right conditions. It is, however, my clarion call, as Chairperson of the Board, to appeal to each and every one who is indebted to the Bank to make good on their promise.

Court actions are already in progress against some customers who failed to meet the terms and conditions of their loans and advances, after several unsuccessful attempts to recover the loans. We will continue to take bold steps to improve the quality of the credit portfolio by embarking on intensive loans recovery actions.

•Investment securities

In the course of the year under review, the Bank offloaded its equity interest of 1,381,600 ordinary shares in MTN Ghana when the market price was favorable to do so. This reduced its long-term investments position from GH¢1,005,929 in 2020 to GH¢121,705 in 2021.

The Bank also reduced its holding of interbank placements and Treasury bills, which were earning lower rates, in order to take advantage of more favorable rates from Bonds and Treasury notes. The Bank added GH¢14.1 million in government securities to its total fixed income investment portfolio, from GH¢59.5 million in 2020 to GH¢73.6 million in 2021.

Last year, we informed Shareholders about the Bank's locked up funds, which have been outstanding since the revocation of the licenses of the erstwhile Gold Coast Fund Management (GCFM), and CDH Savings and Loans Limited. A total of GH¢8.2 million was still outstanding as at the year-end. This comprises GH¢6.4 million held with GCFM and GH¢1.8 million held with CDH Savings and Loans Limited. Strenuous efforts are being made towards full recovery. We have received assurances that as soon as funds are allocated from the Government for payments, the Bank's claims would be paid.

•Corporate Social Responsibilities

Our commitment to society is reinforced by our willingness towards meeting the expectations of the communities in which we have business presence, either as a branch or mobilization center. In the course of 2021, the Bank made several donations as part of its Corporate Social

Responsibilities (CSR). The total amount spent in these areas was GH¢157,934 compared with GH¢90,344 in 2020. The major ones are as follows:

- Donation to Yokwenor CHIPS Centre towards purchase of plastic chairs for attendants
- Donation to Yokama Foundation in respect of washroom project
- Donation to Ghana National Association of Teachers – for Delegates Conference
- Scholarship to needy students of the Odumase Nursing and Midwifery Training College
- Construction of bridge on SAS George street at Abanse
- Donation to Ghana National Association of Teachers – World Teachers Day Celebration
- Donation to National Cardiothoracic Center- Korlebu
- Donation of 10 cartons of crocodile matchetes- National Farmers Day
- Donation to Odumase Police Command
- Donation to Many Klo Foundation – Ngmayem Festival
- Donation to Ngmayem Planning Committee towards 2021 Festival

THE BOARD

•Board leadership

Last year, the then Board Chairman, Mr. Benjamin Tetteh Apo, informed Shareholders about the need for him to step down, effective 1st April 2022, in compliance with the Corporate Governance Directives for Rural and Community Banks. I assumed the mantle of leadership on the appointed date and have since been steering the affairs of the Bank with the support of my colleague Directors. I must admit that I have enjoyed such tremendous support from them as one would expect. Management has also been up to the task and I have no cause for any concerns. I pledge my commitment to this task and would not disappoint you at all.

•Retiring Directors

In keeping with the Corporate Governance Directives, two (2) of the seven (7) current Directors will retire from the Board to make way for two (2) other new ones to join after this Annual General Meeting. The outgoing Directors are Hon. Michael Teye Nyaunu and Lawyer Peter Kornor who have served the Bank for 27 years, 8 months and 11 years respectively. Hon. Nyaunu brought his vast experience in leadership as a former Member of Parliament for Lower Manya Krobo Constituency and as one of Ghana's former representatives in the ECOWAS Parliament to bear on his directorship. Lawyer Peter Kornor is also the Bank's Legal Advisor and has been very instrumental in solving legal issues confronting the Bank. On behalf of the rest of the Board, I take this opportunity to profoundly thank them for the great commitment and service to this Bank. The Bank is greatly indebted to both of them.

•In-coming Directors

As you would recall, at the 40th Annual General Meeting of Shareholders of the Bank held on Saturday 27th November 2021, Shareholders were briefed on the tenure of office of the current Directors in compliance with the Corporate Governance Directives, which were issued in May 2021. Shareholders who would like to be Directors of the Bank were requested to submit their Curriculum Vitae for review. Subsequent to that, six (6) applications from Shareholders have been received.

Given the number of Directors of the Bank exiting this year, the Board will welcome two new Directors submitted to the Bank of Ghana out of the six (6), for approval in compliance with the Fit and Proper requirements. Whilst we are waiting for the Bank of Ghana's approval, we would, at this juncture, request your concurrent approval of the list submitted, so that the new Directors can assume duty seamlessly right after their approval by the Bank of Ghana. The two are as follows:

1. **Mr. Emmanuel Osei Ofosu** – Mr. Ofosu holds a Master's degree in Business Administration (Accounting option) from the University of Ghana and is a member of both the Institute of Chartered Accountants (Ghana) and Internal Auditors (Ghana). He is currently the Head of the Internal Audit Department at Phoenix Insurance Company Ltd. He is 58 years and married with children.
2. **Mr. Edward Nartey Tetteh** – Mr. Nartey holds a Master's degree in Business Administration (Management and Leadership option) from the Rochester Institute of Technology, New York, USA. He is currently a lecturer at the Methodist University College, Ghana. Mr. Nartey is married with children.

These prospective Directors were selected after a rigorous interactive session with the current Directors. It is the resolve of the Board to have these individuals, with the right balance of skills, experience and diversity of background to join it.

We will continue to build the capacity of Directors to keep them well-informed about latest trends in corporate governance, especially in the Banking environment. Directors availed themselves for some corporate governance training sessions which were organized by the Bank of Ghana, this year, for all Rural and Community Banks. As a new Chairperson on the Board, I look forward to working closely with my colleague Directors to improve the performance of the Bank.

•Outlook

The Bank will continue to execute its medium-term strategies and to ensure that it can better serve its various stakeholders. Consistent with our purpose as Board and Management to protect the interest of stakeholders, the Bank has expanded its product offerings in order to address the service gap in customer expectations. To this end, the Bank has extended the maximum loan duration for salary loans from 3 years to 5 years, in order to afford salary-earning customers the ability to qualify for higher amounts and at the same time have the flexibility to manage their finances better. The Bank has also created a new credit product named "Auto clear loan" to facilitate the clearing of imported auto-mobiles into the country. This also seeks to address a financing gap within the automobile dealership value-chain.

As a Bank, we have recognized continual shift towards digital financial services by the public. It is on this basis that we have wholeheartedly embraced the GhanaPay payment option as the way to go. In collaboration with the ARB Apex Bank plc, the Bank is actively enrolling its customers to enable them do business with it from the comfort of their homes and businesses. The Bank is also pursuing direct partnership opportunities in the delivery of mobile money services to customers and to improve upon other alternative delivery channels as well. Through an enhanced business development approach from the beginning of this year, the Bank is on course to take advantage of market positioning and market share opportunities within its operational area.

Lastly, the year 2022 marks the third year into the Bank's clearly articulated performance management system for its staff. The Board and Management will continue to refine the deliverables under the system in line with the corporate strategic objectives of the Bank.

•Conclusion

I am most grateful to all Shareholders for placing your confidence in the Bank all these years. The gains made in 2021 would, also, not have been possible without the dedication and active support of our Board. I would therefore like to thank my colleague Directors for their commitment to the Bank. To Management and Staff, the Board is appreciative of your collective contributions to the corporate goals and we urge you to keep improving your commitment to the Bank. To everyone else, I say, I am most grateful for your support to this Bank.

Long live Manya Krobo Rural Bank. Thank you.



**MRS. MERCY MAMLE TETTEH
CHAIRPERSON
BOARD OF DIRECTORS
MKRB**

BOARD OF DIRECTORS' REPORT

For the year ended 31 December 2021



The Board of Directors has pleasure in submitting its annual report of the Bank for the year ended 31st December 2021 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.

BOARD OF DIRECTORS' REPORT CONT'D.

For the year ended 31 December 2021

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, 2021 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 20 to 56. A summary of the results is as follows:

| | 2021 GH¢ | 2020 GH¢ |
|-------------------------|---------------------------|---------------------------|
| Profit before tax | 3,861,193 | 622,496 |
| Taxation | <u>(903,330)</u> | <u>(325,495)</u> |
| Profit after tax | <u>2,957,862</u> | <u>297,001</u> |
| Total assets | <u>122,442,636</u> | <u>104,541,308</u> |

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 GH¢64,691 were paid to shareholders during the year (2020: GH¢242,612). These payments in 2021 was in respect of previous years.

Auditor's remuneration

The auditor's remuneration payable for 2021 was GH¢55,000 (exclusive of taxes).

Corporate Social Responsibility

The Bank spent an amount of GH¢157,934 in 2021 (2020: GH¢90,344) on corporate social responsibility for community support.

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

27th April
....., 2022

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2021



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 2021, 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 2021, 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. There were no matters to be reported under this section of the report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in this document titled "Manya Krobo Rural Bank Limited - Financial Statements - 31st December 2021", other than the financial statements and our Auditor's report thereon.

INDEPENDENT AUDITOR'S REPORT CONT'D

For the year ended 31 December 2021



Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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/2022/097

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

28th April
....., 2022

Accra, Ghana

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | Note | 2021 GH¢ | 2020 GH¢ |
|--|------|-------------------------|-----------------------|
| Interest income | 7 | 23,162,903 | 17,913,725 |
| Interest expense | 8 | <u>(5,316,884)</u> | <u>(4,510,716)</u> |
| Net interest income | | 17,846,019 | 13,403,009 |
| Fees and commission income | 9 | 3,111,916 | 2,456,131 |
| Other operating income | 10 | <u>471,608</u> | <u>495,574</u> |
| Operating income | | 21,429,543 | 16,354,714 |
| Net impairment loss on financial assets | 13 | (570,200) | (992,144) |
| Personnel expenses | 11 | (9,204,497) | (8,737,416) |
| Depreciation | 24 | (840,443) | (846,501) |
| Other expenses | 12 | <u>(6,953,210)</u> | <u>(5,156,157)</u> |
| Profit before income tax | | 3,861,193 | 622,496 |
| Income tax expense | 14 | <u>(903,330)</u> | <u>(325,495)</u> |
| Profit for the period | | <u>2,957,863</u> | <u>297,001</u> |
| Other comprehensive income | | | |
| (Loss) on equity investment | | <u>-</u> | <u>(152,516)</u> |
| Total comprehensive income for the year | | <u>2,957,863</u> | <u>144,485</u> |


STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2021

| Assets | Note | 2021 GH¢ | 2020 GH¢ |
|---------------------------------------|------|---------------------------|---------------------------|
| Cash and cash equivalents | 15 | 13,221,868 | 13,764,432 |
| Equity investments | 16 | 121,705 | 1,005,929 |
| Loans and advances to customers | 17 | 27,435,709 | 22,606,718 |
| Investment securities | 18a | 73,657,601 | 59,552,299 |
| Current tax | 14a | 93,685 | - |
| Property, plant and equipment | 24 | 5,788,402 | 5,953,897 |
| Other assets | 19 | 2,123,666 | 1,658,033 |
| Total Assets | | <u>122,442,636</u> | <u>104,541,308</u> |
| Liabilities | | | |
| Deposits from customers | 20 | 107,818,794 | 92,599,415 |
| Borrowings | 22 | 378,139 | 633,109 |
| Deferred tax | 14b | 485,414 | 426,873 |
| Current tax | 14a | - | 3,646 |
| Dividend payable | 23 | 119,056 | 183,747 |
| Other liabilities | 21 | 2,039,148 | 1,678,695 |
| Total Liabilities | | <u>110,840,552</u> | <u>95,525,485</u> |
| Equity | | | |
| Stated capital | 25 | 4,785,290 | 4,475,918 |
| Income surplus | | 2,788,871 | 771,131 |
| Capital surplus | | 570,611 | 570,611 |
| Statutory reserve | | 3,064,137 | 2,694,404 |
| Regulatory credit risk reserve | | 378,716 | 500,000 |
| Deposit for shares | | 14,458 | 221,585 |
| Other reserves | | - | (217,825) |
| Total Equity | | <u>11,602,082</u> | <u>9,015,823</u> |
| Total Liabilities & Equity | | <u>122,442,636</u> | <u>104,541,308</u> |

By order of the board

)

) Directors

Accra

27th April
....., 2022

STATEMENT OF CASHFLOWS

For the year ended 31 December 2021

| | 2021 GH¢ | 2020 GH¢ |
|---|---------------------|-------------------|
| Cash flows from operating activities | | |
| Profit before tax | 3,861,193 | 622,496 |
| <i>Adjustments for:</i> | | |
| Depreciation | 840,443 | 846,501 |
| Impairment on financial assets | 570,200 | 992,144 |
| Profit from sale of office equipment | (10,775) | (70,660) |
| Profit from the sale of equity investment | (324,671) | - |
| Net cash inflow before changes in operating assets and liabilities | 4,936,390 | 2,390,481 |
| Change in investment securities | 10,015,308 | (17,578,995) |
| Change in loans and advances | (5,973,906) | (2,333,407) |
| Change in other assets | (465,633) | 250,811 |
| Change in deposit from customers | 15,219,379 | 19,556,514 |
| Change in other liabilities | 360,453 | 1,026,850 |
| Income tax paid | (771,179) | (220,539) |
| | 18,384,422 | 701,234 |
| Net cash used in operating activities | 23,320,812 | 3,091,715 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (620,145) | (840,860) |
| Purchase of government bonds | (24,666,295) | 2,200,000 |
| Proceeds from sale of fixed assets | 10,775 | 72,480 |
| Proceeds from sale of equity investment | 1,360,871 | - |
| Net cash used in investing activities | (23,914,794) | 1,431,620 |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 309,372 | 9,832 |
| Change in borrowings | (254,970) | 224,179 |
| Dividend paid | (2,986) | (21,027) |
| Net cash flows from financing activities | 51,416 | 212,984 |
| Net increase in cash and cash equivalents | (542,567) | 4,736,320 |
| Cash and cash equivalents at 1st January | 13,764,432 | 9,028,112 |
| Cash and cash equivalents at 31st December | 13,221,868 | 13,764,432 |
| Composition of cash and cash equivalents | | |
| Cash on hand | 3,387,970 | 2,552,171 |
| Bank balances | 9,833,898 | 11,212,261 |
| | 13,221,868 | 13,764,432 |

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

| 2021 | Note | STATED CAPITAL GH¢ | INCOME SURPLUS GH¢ | STATUTORY RESERVE GH¢ | CAPITAL SURPLUS GH¢ | CREDIT RISK RESERVE GH¢ | OTHER RESERVES GH¢ | TOTAL EQUITY GH¢ |
|--------------------------------------|------|--------------------------|--------------------------|-----------------------------|---------------------------|-------------------------------|--------------------------|------------------------|
| Balance at 1st January | | 4,475,918 | 771,131 | 2,694,404 | 570,611 | 500,000 | 3,760 | 9,015,824 |
| Prior year adjustment | 32 | - | (691,674) | - | - | - | - | (691,674) |
| Restated balance | | 4,475,918 | 79,457 | 2,694,404 | 570,611 | 500,000 | 3,760 | 8,324,150 |
| Comprehensive income | | | | | | | | |
| Profit for the year | | - | 2,957,863 | - | - | - | - | 2,957,863 |
| Loss on equity investments | | - | - | - | - | - | - | - |
| Total comprehensive income | | - | 2,957,863 | - | - | - | - | 2,957,863 |
| Transactions with owners | | | | | | | | |
| Additional share issue | | 309,372 | - | - | - | - | - | 309,372 |
| Deposits for shares | | - | - | - | - | - | 10,698 | 10,698 |
| Regulatory credit risk reserve | | - | 121,284 | - | - | (121,284) | - | - |
| Transfer to statutory reserve | | - | (369,733) | 369,733 | - | - | - | - |
| Total transactions with owner | | 309,372 | (248,449) | 369,733 | - | (121,284) | 10,698 | 320,070 |
| Balance at 31st December | | 4,785,290 | 2,788,871 | 3,064,137 | 570,611 | 378,716 | 14,458 | 11,602,082 |

| 2020 | | STATED CAPITAL GH¢ | INCOME SURPLUS GH¢ | STATUTORY RESERVE GH¢ | CAPITAL SURPLUS GH¢ | CREDIT RISK RESERVE GH¢ | OTHER RESERVES GH¢ | TOTAL EQUITY GH¢ |
|--------------------------------------|----|--------------------------|--------------------------|-----------------------------|---------------------------|-------------------------------|--------------------------|------------------------|
| Balance at 1st January | | 4,466,086 | 299,198 | 2,620,154 | 570,611 | 449,477 | (65,309) | 8,340,217 |
| Prior-year adjustment | 32 | - | 299,705 | - | - | - | - | 299,705 |
| Restated balance | | 4,466,086 | 598,903 | 2,620,154 | 570,611 | 449,477 | (65,309) | 8,639,922 |
| Comprehensive income | | | | | | | | |
| Profit for the year | | - | 297,001 | - | - | - | - | 297,001 |
| Loss on equity investments | | - | - | - | - | - | (152,516) | (152,516) |
| Total comprehensive income | | - | 297,001 | - | - | - | (152,516) | 144,485 |
| Transactions with owners | | | | | | | | |
| Additional share issue | | 9,832 | - | - | - | - | - | 9,832 |
| Deposit for shares | | - | - | - | - | - | 221,585 | 221,585 |
| Regulatory credit risk reserve | | - | (50,523) | - | - | 50,523 | - | - |
| Transfer to statutory reserve | | - | (74,250) | 74,250 | - | - | - | - |
| Total transactions with owner | | 9,832 | (124,773) | 74,250 | - | 50,523 | 221,585 | 231,417 |
| Balance at 31st December | | 4,475,918 | 771,131 | 2,694,404 | 570,611 | 500,000 | 3,760 | 9,015,824 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021



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 ...~~27th April, 2022~~.....

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 (GH¢), 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 2021

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 macroeconomic 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%
- 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 expired.

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 expose 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 to 180 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, 2021 was as follows:

| 31/12/2021 | FV through profit or loss GH¢ | FV through OCI GH¢ | Amortised Cost GH¢ | Total Amount GH¢ |
|---|--|-----------------------------------|-----------------------------------|---------------------------------|
| Cash and balances with banks | 13,221,868 | - | - | 13,221,868 |
| Investment Securities (excluding bonds) | 20,417,101 | - | - | 20,417,101 |
| Government bonds | - | - | 25,666,295 | 25,666,295 |
| Loans and Advances to Customers | - | - | 31,611,977 | 31,611,977 |
| Equity investments | - | 121,705 | - | 121,705 |
| | <u>33,638,969</u> | <u>121,705</u> | <u>57,278,272</u> | <u>91,038,946</u> |
| | | | | |
| 31/12/2020 | FV through profit or loss GH¢ | FV through OCI GH¢ | Amortised Cost GH¢ | Total Amount GH¢ |
| Cash and balances with banks | 11,212,261 | - | - | 11,212,261 |
| Investment securities (excluding bonds) | 59,525,015 | - | - | 59,525,015 |
| Government bonds | - | - | 1,000,000 | 1,000,000 |
| Loans and advances to customers | - | - | 25,609,909 | 25,609,909 |
| Equity investments | - | 1,005,929 | - | 1,005,929 |
| | <u>70,737,276</u> | <u>1,005,929</u> | <u>26,609,909</u> | <u>98,353,113</u> |

*NB: FV = Fair Value

OCI = Other Comprehensive Income

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 2021.

4.2.2 EXPOSURE TO LIQUIDITY RISK

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

| 2021 | Less than 1 to 3 months | 3 to 6 months | 6 to 12 months | More than 1 year | Total |
|-------------------------------|----------------------------|---------------------|---------------------|---------------------|--------------------|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| ASSETS | | | | | |
| Cash and bank balances | 13,221,868 | - | - | - | 13,221,868 |
| Investments | 8,548,829 | 10,083,299 | 21,549,998 | 29,088,000 | 69,270,127 |
| Loans and advances | 9,108,335 | 6,477,074 | 3,987,703 | 12,038,865 | 31,611,977 |
| Other assets | 690,571 | 159,625 | 1,313,202 | - | 2,163,398 |
| Property, plant and equipment | 67,443 | 67,443 | 134,886 | 5,518,628 | 5,788,399 |
| Total Assets | 31,637,046 | 16,787,441 | 26,985,789 | 46,645,493 | 122,055,769 |
| LIABILITIES | | | | | |
| Deposits from customers | 25,432,592 | 29,545,510 | 51,950,131 | - | 106,928,234 |
| Other liabilities | - | 1,052,829 | 981,013 | - | 2,033,842 |
| Borrowings | 60,967 | 60,967 | 121,934 | 134,270 | 378,139 |
| Total liabilities | 25,493,559 | 30,659,306 | 53,053,078 | 134,270 | 109,340,214 |
| Net Liquidity Gap | 6,143,487 | (13,871,865) | (26,067,290) | 46,511,223 | 12,715,555 |

| 2020 | Less than 1 to 3 months | 3 to 6 months | 6 to 12 months | More than 1 year | Total |
|-------------------------------|----------------------------|---------------------|---------------------|---------------------|-------------------|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| ASSETS | | | | | |
| Cash and bank balances | 13,764,432 | - | - | - | 13,764,432 |
| Investments | 8,799,584 | 3,992,873 | 18,499,016 | 18,106,467 | 49,397,939 |
| Loans and advances | 9,389,958 | 1,656,306 | 3,278,202 | 11,285,442 | 25,609,909 |
| Other assets | - | - | - | 1,658,033 | 1,658,033 |
| Property, plant and equipment | - | - | - | 5,953,897 | 5,953,897 |
| Total Assets | 31,953,974 | 5,649,179 | 21,777,218 | 37,003,839 | 96,384,211 |
| LIABILITIES | | | | | |
| Deposits from customers | 28,609,425 | 31,152,679 | 32,225,786 | 611,525 | 92,599,415 |
| Other liabilities | - | - | 1,678,695 | - | 1,678,695 |
| Borrowings | 65,833 | 65,833 | 131,667 | 369,776 | 633,109 |
| Total liabilities | 28,675,258 | 31,218,512 | 34,036,148 | 981,301 | 94,911,220 |
| Net Liquidity Gap | 3,278,716 | (25,569,333) | (12,258,930) | 36,022,538 | 1,472,991 |

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 2021 is summarised below:

With the implementation of Basel II/III Pillar (Capital requirement), the Bank of Ghana has issued the capital requirement directive (CRD), based on which a new Capital Adequacy Ratio computation has been adopted by Banks in Ghana effective January 2019.

| | 2021 GH¢ | 2020 GH¢ |
|---|--------------------------|--------------------------|
| Tier 1 Capital | | |
| Ordinary share capital | 4,785,290 | 4,475,918 |
| Retained earnings-audited | 771,131 | 299,198 |
| Profit or loss to date-audited | 2,017,740 | 471,933 |
| Statutory reserve | 3,064,137 | 2,694,404 |
| Less intangible assets | <u>(104,436)</u> | <u>(88,991)</u> |
| Total | <u>10,533,862</u> | <u>7,852,462</u> |
| Tier 2 Capital | | |
| Revaluation reserve | 285,306 | 285,306 |
| Qualifying subordinated liabilities | <u>14,458</u> | <u>221,585</u> |
| Total Tier 2 Capital | <u>299,764</u> | <u>506,891</u> |
| Tier 2 for CAR (Limited to 2% of RWA) | <u>299,764</u> | <u>506,891</u> |
| Total regulatory capital | <u>10,833,625</u> | <u>8,359,353</u> |
| Risk weighted assets | | |
| Credit risk | | |
| On balance sheet | 53,824,605 | 58,132,728 |
| Off balance sheet | - | - |
| Operational risk | 17,537,787 | 15,967,652 |
| Market risk | <u>-</u> | <u>-</u> |
| Total risk weighted assets | <u>71,362,392</u> | <u>74,100,380</u> |
| Capital Ratios: | | |
| Total tier 1 capital/Total risk weighted assets | 14.76 | 10.60 |
| Total tier 2 capital/Total risk weighted assets | 0.4 | 0.7 |
| Total regulatory capital/Total risk weighted assets | 15.18 | 11.28 |

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.

| 31/12/2021 | FV through profit or loss | FV through OCI | Amortised Cost | Total Amount | Carrying Value |
|------------------------------------|------------------------------|-------------------|--------------------|--------------------|--------------------|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Cash and balances with banks | 13,221,868 | - | - | 13,221,868 | 13,221,868 |
| Investment securities (placements) | - | - | 20,417,101 | 20,417,101 | 20,417,101 |
| Treasury bills | 23,065,025 | - | - | 23,065,025 | 23,065,025 |
| Government bonds | - | - | 25,666,295 | 25,666,295 | 25,666,295 |
| Loans and advances to customers | - | - | 31,611,977 | 31,611,977 | 31,611,977 |
| Equity investments | - | 121,705 | - | 121,705 | 121,705 |
| | 36,286,893 | 121,705 | 77,695,373 | 114,103,971 | 114,103,971 |
| Deposit from customers | - | - | 107,806,292 | 107,806,292 | 107,806,292 |
| Borrowings | - | - | 378,139 | 378,139 | 378,139 |
| Payables and accruals | - | - | 2,070,355 | 2,070,355 | 2,070,355 |
| | - | - | 110,254,785 | 110,254,785 | 110,254,785 |

| 31/12/2020 | FV through profit or loss | FV through OCI | Amortised Cost | Total Amount | Carrying Value |
|------------------------------------|------------------------------|-------------------|-------------------|--------------------|--------------------|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Cash and balances with banks | 13,764,432 | - | - | 13,764,432 | 13,764,432 |
| Investment securities (placements) | - | - | 22,718,565 | 22,718,565 | 22,718,565 |
| Treasury bills | 36,063,712 | - | - | 36,063,712 | 36,063,712 |
| Government bonds | - | - | 1,000,000 | 1,000,000 | 1,000,000 |
| Loans and advances to customers | - | - | 25,609,909 | 25,609,909 | 25,609,909 |
| Equity investments | - | 1,005,929 | - | 1,005,929 | 1,005,929 |
| | 49,828,144 | 1,005,929 | 49,328,474 | 100,162,547 | 100,162,547 |
| Deposit from customers | - | - | 92,599,415 | 92,599,415 | 92,599,415 |
| Borrowings | - | - | 633,109 | 633,109 | 633,109 |
| Payables and accruals | - | - | 999,594 | 999,594 | 999,594 |
| | - | - | 94,232,118 | 94,232,118 | 94,232,118 |

*NB: FV = Fair Value

OCI = Other Comprehensive Income

| | 2021 GH¢ | 2020 GH¢ |
|---|-------------------|-------------------|
| 7 INTEREST INCOME | | |
| Interest on loans and overdrafts | 12,314,759 | 10,915,084 |
| Interest on investment | 10,652,383 | 6,434,608 |
| Amortisation of deferred commissions/fees | 195,760 | 564,032 |
| | <u>23,162,903</u> | <u>17,913,725</u> |
| 8 INTEREST EXPENSE | | |
| Interest on borrowings | 64,505 | 13,019 |
| Interest on savings | 2,183,601 | 1,668,489 |
| Interest on time deposits | 3,068,779 | 2,829,208 |
| | <u>5,316,884</u> | <u>4,510,716</u> |
| 9 FEES AND COMMISSION INCOME | | |
| SMS Charges | 222,163 | 200,015 |
| Commission from bancassurance | 54,791 | 45,575 |
| Income from remittances | 63,784 | 4,975 |
| Commitment fees | 769,607 | 423,715 |
| Commission on turnover | 1,009,630 | 817,423 |
| Interest on clearing accounts | 19,173 | 24,170 |
| Other fees | 1,170,939 | 1,019,487 |
| | <u>3,310,087</u> | <u>2,535,360</u> |
| Deferred commissions/fees | (198,171) | (79,229) |
| | <u>3,111,916</u> | <u>2,456,131</u> |
| 10 OTHER OPERATING INCOME | | |
| Profit from sale disposal | 10,775 | 70,660 |
| Income from sale of stationery stock | 44,446 | 35,939 |
| Dividend income | 63,554 | 88,975 |
| Bad debt recovered | 28,162 | - |
| Profit from realisation of shares | 324,671 | - |
| Transfer from risk mitigation account | - | 300,000 |
| | <u>471,608</u> | <u>495,574</u> |
| 11 PERSONNEL EXPENSES | | |
| Salaries | 7,114,768 | 6,871,147 |
| Directors' remuneration | 466,680 | 406,052 |
| Medical expenses | 188,189 | 177,854 |
| Training | 229,867 | 158,936 |
| Other staff cost | 1,204,993 | 1,123,427 |
| | <u>9,204,497</u> | <u>8,737,416</u> |

| | | 2021 | | | 2020 |
|-------------|--|-------------------------|----------------------------|-------------------------------------|------------------------------|
| | | GH¢ | | | GH¢ |
| 12 | OTHER ADMINISTRATIVE EXPENSES | | | | |
| | General administrative expenses (appendix) | 6,392,091 | | | 4,681,823 |
| | Advertising | 61,544 | | | 34,754 |
| | Auditor's remuneration | 55,000 | | | 55,000 |
| | Rent and rates | 286,641 | | | 294,236 |
| | Community support | 157,934 | | | 90,344 |
| | | <u>6,953,210</u> | | | <u>5,156,157</u> |
| 13 | IMPAIRMENT LOSS ON FINANCIAL ASSETS | | | | |
| | Balance b/f | 2,457,092 | | | 1,464,949 |
| | Prior year adjustment | (27,284) | | | - |
| | Charge for the year (loans and advances) | 560,000 | | | 964,859 |
| | Charge for the year-investment securities | 10,200 | | | 27,284 |
| | | <u>3,000,008</u> | | | <u>2,457,092</u> |
| | Total impairment charge for the year | <u>570,200</u> | | | <u>992,143</u> |
| 13.1 | ANALYSIS OF LOAN IMPAIRMENT ALLOWANCE | | | | |
| | Individually assessed | <u>2,989,808</u> | | | <u>2,429,808</u> |
| | Provisions per Bank of Ghana | 3,368,524 | | | 2,929,808 |
| | Provisions per IFRS | (2,989,808) | | | (2,429,808) |
| | Regulatory credit risk reserve | <u>378,716</u> | | | <u>500,000</u> |
| 14 | INCOME TAX | | | | |
| (a) | Current tax | | | | |
| | Year of Assessment | Balance 1/1/2021 | Charge for the year | Payment made during the year | Balance at 31/12/2021 |
| | | GH¢ | GH¢ | GH¢ | GH¢ |
| | 2016 | (247,200) | - | - | (247,200) |
| | 2017 | (212,685) | - | - | (212,685) |
| | 2018 | 45,919 | - | - | 45,919 |
| | 2019 | 585,298 | - | - | 585,298 |
| | <i>Prior year</i> | (171,331) | - | - | (171,331) |
| | 2020 | 3,646 | - | - | 3,646 |
| | <i>Prior year</i> | (170,940) | | | (170,940) |
| | 2021 | - | 844,789 | (771,179) | 73,610 |
| | | <u>(167,294)</u> | <u>844,789</u> | <u>(771,179)</u> | <u>(93,685)</u> |
| (b) | Deferred tax | | | | |
| | 2021 | <u>426,873</u> | <u>58,541</u> | <u>-</u> | <u>485,414</u> |

(c) Reconciliation of tax expense to product of accounting profit and applicable rate

| | 2021 GH¢ | 2020 GH¢ |
|---|----------------|----------------|
| Profit before tax | 3,861,193 | 622,496 |
| Tax at applicable rate (25%) | 965,298 | 155,624 |
| Add (Deduct): | | |
| Tax effect of non-deductible expenses | 484,334 | 366,652 |
| Tax effect of capital allowances | (484,214) | (43,105) |
| Origination (reversal) of taxable temporary differences | (23,574) | (232,742) |
| Tax effect of non-taxable income | (97,056) | (22,244) |
| Deferred tax | 58,541 | 101,310 |
| Tax expense | 903,330 | 325,495 |
| Effective tax rate | 23.40% | 52.29% |

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

15 CASH AND BALANCES WITH BANKS

| | | |
|--------------------------------|-------------------|-------------------|
| Cash on hand | 3,387,970 | 2,552,171 |
| Balances with other banks | 1,243,073 | 1,391,157 |
| 5% Deposit-ARB Apex Bank Ltd | 5,305,678 | 4,535,493 |
| Clearing account-ARB Apex Bank | 1,667,955 | 1,977,283 |
| Call account | 1,500,000 | 3,300,000 |
| E-susu collection | 117,191 | 8,328 |
| | 13,221,868 | 13,764,432 |

16 EQUITY INVESTMENTS

| | | |
|------------------------------|----------------|------------------|
| Anglogold Ashanti Limited | 3,177 | 3,177 |
| ARB Apex Bank Limited | 69,328 | 69,328 |
| Manya Klo Cold Store Limited | 49,200 | 49,200 |
| Scancom Limited (MTN Ghana) | - | 884,224 |
| | 121,705 | 1,005,929 |

17 LOANS AND ADVANCES

a Analysis by type

| | | |
|-----------------------------------|--------------------|--------------------|
| Term Loans | 27,975,345 | 22,399,636 |
| Overdrafts | 3,608,470 | 3,210,273 |
| Gross loans and advances | 31,583,815 | 25,609,909 |
| Deferred commission/fees | (779,582) | (537,383) |
| <u>Less: Impairment allowance</u> | <u>(3,368,524)</u> | <u>(2,929,808)</u> |
| Net loans and advances | 27,435,709 | 22,606,718 |

b Analysis by segment

| | 2021 GH¢ | 2020 GH¢ |
|---------------------------------|-------------------------------|-------------------------------|
| | Loans and advances | Loans and advances |
| Agriculture | 2,632 | 24,651 |
| Transport | 1,696,244 | 1,858,215 |
| Trading | 6,774,886 | 12,416,598 |
| Staff | 1,760,913 | 1,019,675 |
| Others | 21,349,140 | 10,290,770 |
| | <u>31,583,815</u> | <u>25,609,909</u> |
| Deferred commission/fees | (779,582) | (537,383) |
| Allowance for impairment | (3,368,524) | (2,929,808) |
| | <u>27,435,709</u> | <u>22,606,718</u> |

c Analysis by customer type

| | Loans & Advances | Loans & Advances |
|--|---------------------------------|---------------------------------|
| Individuals | 14,939,929 | 5,450,876 |
| Public and private enterprises/ institutions | 3,111,914 | 2,101,709 |
| Staff | 1,760,913 | 1,005,571 |
| Others | 11,771,060 | 17,051,754 |
| | <u>31,583,815</u> | <u>25,609,909</u> |
| Deferred commission/fees | (779,582) | (537,383) |
| Less: Impairment allowance | (3,368,524) | (2,929,808) |
| Net loans and advances | <u>27,435,709</u> | <u>22,606,718</u> |

18 INVESTMENTS

| | | |
|-----------------------|--------------------------|--------------------------|
| Treasury bills | 23,065,025 | 36,063,712 |
| Short term placements | 20,416,981 | 18,435,328 |
| Government bonds | 25,666,295 | 1,000,000 |
| | <u>69,148,302</u> | <u>55,499,041</u> |
| Add: Accrued interest | 4,624,458 | 4,080,543 |
| Less: Impairment | (115,159) | (27,284) |
| | <u>73,657,601</u> | <u>59,552,300</u> |

| | 2021 | 2020 |
|---|---------------------------|--------------------------|
| | GH¢ | GH¢ |
| 19 OTHER ASSETS | | |
| Prepayments | 589,850 | 515,864 |
| Stationery stock | 159,625 | 135,437 |
| Asset held for sale (repossessed asset) | 690,571 | 690,571 |
| Office account | 30,154 | 316,161 |
| Interest in arrears | 633,798 | - |
| E-zwich operations | 19,668 | - |
| | <u>2,123,666</u> | <u>1,658,033</u> |
| 20 DEPOSITS FROM CUSTOMERS | | |
| Demand deposits | 15,660,333 | 12,476,468 |
| Time deposits | 28,823,557 | 24,308,298 |
| Savings deposits | 51,088,654 | 44,257,306 |
| Others-susu | 11,368,191 | 10,645,819 |
| | <u>106,940,736</u> | <u>91,687,890</u> |
| Accrued interest | 878,058 | 911,524 |
| | <u>107,818,794</u> | <u>92,599,415</u> |
| 21 OTHER LIABILITIES | | |
| Unearned discount on treasury bills | 186,676 | - |
| Office accounts | 164,610 | 526,257 |
| Payment order/ bills payable | 324,979 | 95,929 |
| Auditor's remuneration | 55,000 | 55,000 |
| Premium bond amortisation | 667,637 | 754,315 |
| Managed funds (Covid-19 loan) | 193,305 | 121,961 |
| Others | 446,941 | 125,234 |
| | <u>2,039,148</u> | <u>1,678,695</u> |
| 22 BORROWINGS | | |
| ATM loan/ rural financial service | 118,139 | 243,109 |
| Vehicle loan | 260,000 | 390,000 |
| | <u>378,139</u> | <u>633,109</u> |
| 23 DIVIDEND PAYABLE | | |
| Balance at 1st January | 183,747 | 426,359 |
| Declared during the year | - | - |
| Payment during the year : | | |
| Cash movement | (2,986) | (21,027) |
| Non-cash movement | (61,705) | (221,585) |
| Balance at 31 December | <u>119,056</u> | <u>183,747</u> |

24.

| 2021 | BUILDING | MOTOR VEHICLE & CYCLES | OFFICE FURNITURE & FITTINGS | OFFICE EQUIPMENT | COMPUTER & ACCESSORIES | LEASEHOLD IMPROVEMENT | BUNGALOW FURNITURE & FITTINGS | LAND | TOTAL |
|------------------------|------------------|------------------------|-----------------------------|------------------|------------------------|-----------------------|-------------------------------|----------------|-------------------|
| COST | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Opening balance | 3,351,440 | 2,422,862 | 329,035 | 2,008,716 | 697,331 | 895,358 | 15,057 | 525,820 | 10,245,619 |
| Additions | 54,420 | 199,731 | 45,650 | 230,158 | 37,185 | 53,001 | - | - | 620,145 |
| Disposals | - | (42,750) | (41,323) | (286,811) | (193,750) | - | (1,897) | - | (566,531) |
| Closing balance | 3,405,860 | 2,579,843 | 333,362 | 1,952,063 | 540,766 | 948,359 | 13,160 | 525,820 | 10,299,233 |

ACCUMULATED DEPRECIATION

| | | | | | | | | | |
|------------------------|----------------|------------------|----------------|------------------|----------------|----------------|---------------|----------|------------------|
| Opening balance | 418,623 | 1,725,509 | 226,051 | 1,154,107 | 456,727 | 299,858 | 10,846 | - | 4,291,721 |
| Prior year | (54,801) | - | - | - | - | - | - | - | (54,801) |
| Disposal | - | (42,750) | (41,323) | (286,811) | (193,750) | - | (1,897) | - | (566,531) |
| Charge for year | 67,106 | 277,544 | 45,818 | 300,191 | 102,832 | 44,691 | 2,260 | - | 840,442 |
| Closing balance | 430,928 | 1,960,303 | 230,546 | 1,167,487 | 365,809 | 344,549 | 11,209 | - | 4,510,831 |

NET BOOK VALUE

| | | | | | | | | | |
|------------|------------------|----------------|----------------|----------------|----------------|----------------|--------------|----------------|------------------|
| 31/12/2021 | <u>2,974,932</u> | <u>619,540</u> | <u>102,816</u> | <u>784,576</u> | <u>174,957</u> | <u>603,810</u> | <u>1,951</u> | <u>525,820</u> | <u>5,788,402</u> |
| 31/12/2020 | <u>2,932,817</u> | <u>697,353</u> | <u>102,984</u> | <u>854,609</u> | <u>240,604</u> | <u>595,500</u> | <u>4,211</u> | <u>525,820</u> | <u>5,953,897</u> |

| 2020 | BUILDING | MOTOR VEHICLE & CYCLES | OFFICE FURNITURE & FITTINGS | OFFICE EQUIPMENT | COMPUTER & ACCESSORIES | LEASEHOLD IMPROVEMENT | BUNGALOW FURNITURE & FITTINGS | LAND | TOTAL |
|---------------------------------|------------------|------------------------|-----------------------------|------------------|------------------------|-----------------------|-------------------------------|----------------|-------------------|
| COST | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Opening balance | 3,285,740 | 1,996,325 | 410,511 | 2,252,247 | 962,171 | 846,782 | 29,520 | 525,820 | 10,309,116 |
| Additions | 65,700 | 508,307 | 36,380 | 127,198 | 51,000 | 52,276 | - | - | 840,861 |
| Disposals | - | (81,770) | (117,856) | (370,729) | (315,840) | (3,700) | (14,463) | - | (904,358) |
| Closing balance | 3,351,440 | 2,422,862 | 329,035 | 2,008,716 | 697,331 | 895,358 | 15,057 | 525,820 | 10,245,619 |
| ACCUMULATED DEPRECIATION | | | | | | | | | |
| Opening balance | 394,167 | 1,559,272 | 291,736 | 1,207,342 | 659,359 | 261,673 | 22,548 | - | 4,396,099 |
| Disposal | (48,340) | (81,770) | (117,712) | (370,728) | (314,164) | (3,700) | (14,463) | - | (950,877) |
| Charge for year | 72,796 | 248,007 | 52,027 | 317,493 | 111,532 | 41,885 | 2,761 | - | 846,501 |
| Closing balance | 418,623 | 1,725,509 | 226,051 | 1,154,107 | 456,727 | 299,858 | 10,846 | - | 4,291,721 |
| NET BOOK VALUE | | | | | | | | | |
| 31/12/2020 | <u>2,932,817</u> | <u>697,353</u> | <u>102,984</u> | <u>854,609</u> | <u>240,604</u> | <u>595,500</u> | <u>4,211</u> | <u>525,820</u> | <u>5,953,897</u> |
| 31/12/2019 | <u>2,891,573</u> | <u>437,053</u> | <u>118,775</u> | <u>1,044,905</u> | <u>302,812</u> | <u>585,109</u> | <u>6,972</u> | <u>525,820</u> | <u>5,913,018</u> |

25 STATED CAPITAL

Authorised

Ordinary shares

Preference shares

100,000,000

50,000

Issued Shares

| | 2021 | | 2020 | |
|-------------------------------|-------------------|------------------|-------------------|------------------|
| | Number of | | Number of | |
| | shares | Proceeds | shares | Proceeds |
| | | GH¢ | | GH¢ |
| Ordinary shares: | | | | |
| Issue for cash | 17,834,086 | 1,935,007 | 16,596,599 | 1,625,635 |
| 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 |
| | <u>34,387,202</u> | <u>4,785,290</u> | <u>33,149,715</u> | <u>4,475,918</u> |

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

26 STATEMENT OF CHANGES IN EQUITY

| (a) Stated capital | 2021 | 2020 |
|--------------------------------|--------------------------|--------------------------|
| In thousands of shares | | |
| On issue at 1 January | 33,149,715 | 33,110,387 |
| Issued during the year | <u>1,237,487</u> | <u>39,328</u> |
| On issue at 31 December | <u>34,387,202</u> | <u>33,149,715</u> |

(b) Statutory reserves

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 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.

| | 2021 | 2020 |
|--|-----------------------|-----------------------|
| | GH¢ | GH¢ |
| IFRS impairment | 2,989,808 | 2,429,808 |
| Bank of Ghana provision | <u>(3,368,524)</u> | <u>(2,929,808)</u> |
| Transfer to credit risk reserve | <u>378,716</u> | <u>500,000</u> |

An amount of GH¢ 378,716 is posted to credit risk reserve for the year (2020: 500,000).
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 amounts contributed by existing shareholders towards registration as equity.

27 CONTINGENCIES

Based on our review of events of the bank, there were no contingent liabilities as at the statement of financial position date. (2020: Nil)

28 CAPITAL EXPENDITURE COMMITMENTS

There were no capital expenditure commitments as at the statement of financial position date. (2020: Nil)

29 RELATED PARTIES

(a) 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:

- (i) Board of Directors** - refer to list on page 1 for names of the members of the board
- (ii) Other key management personnel**

| Name | Designation |
|------------------------|--------------------------------------|
| Edmund T. Ohipeni | Chief Executive Officer |
| Ebenezer Akumatey | Head of Banking Operations |
| Solomon Godwin Koomson | Head, Finance & Administration |
| Ernest Kpogli | Head, Internal Audit |
| Monica Padi | Head, Human resources |
| Emil Dautey Dor | Head, Risk and Anti-money laundering |
| Philip Tetteh | Head, Credit |
| Raphael Kwame Tawiah | Head, Information Technology |

(b) Transactions with Key management personnel

- (i)** The Banks transactions with key management personnel during the year are as follows:

| | 2021 | 2020 |
|----------------------------------|-------------|-------------|
| | GH¢ | GH¢ |
| Mortgage and other secured loans | - | 35,238 |
| Other loans | 148,500 | 80,335 |

(ii) Key management personnel compensation for the year comprised:

| | 2021 | 2020 |
|-------------------------|-------------|-------------|
| | GH¢ | GH¢ |
| Directors' remuneration | 466,680 | 406,052 |
| Key management staff | 607,981 | 703,411 |

(iii) Loan and advances to Directors and their associates

| | | |
|------------------------------------|--------------------|--------------------|
| Gross amount at 1st January | - | - |
| Interest charged | 291,667 | 145,235 |
| Loan disbursed | 2,000,000 | 1,804,490 |
| Cash received | <u>(2,291,667)</u> | <u>(1,949,725)</u> |
| Balance at 31st December | <u><u>-</u></u> | <u><u>-</u></u> |

(iv) Loan and advances to employees

| | | |
|---------------------------------|-------------------------|-------------------------|
| Balance at 1st January | 1,005,571 | 986,846 |
| Loans advanced during the year | 1,877,480 | 931,340 |
| Loan repayment received | <u>(1,122,138)</u> | <u>(912,615)</u> |
| Balance at 31st December | <u><u>1,760,913</u></u> | <u><u>1,005,571</u></u> |

30 **ADDITIONAL DISCLOSURES**

| | | |
|----------------------------------|--------|--------|
| Capital Adequacy ratio | 15.18% | 11.28 |
| Gross non-performing loans ratio | 9.49% | 9.80% |
| 50 Largest exposures | 19.86 | 18.20% |
| Amount of loans written off | Nil | Nil |
| Liquidity ratio | 76.95% | 68.99% |

31 **PRIOR YEAR ADJUSTMENT**

This relates to interest of Gh¢ 601,243.42 on the investments held with the erstwhile Gold Coast Securities Ltd. and a write-off of tax penalties in the sum of Gh¢90,430.58 recognised as tax payments.

VALUE ADDED STATEMENT

For the year ended 31 December 2021

| | 2021 GH¢ | 2020 GH¢ |
|--|---------------------|--------------------|
| Interest earned and other operating Income | 26,746,427 | 20,865,429 |
| Direct cost | <u>(12,270,093)</u> | <u>(9,666,873)</u> |
| Value Added by Banking Services | 14,476,334 | 11,198,556 |
| Non - banking income | - | - |
| Impairment | <u>(570,200)</u> | <u>(992,144)</u> |
| Value Added | 13,906,134 | 10,206,412 |
| Distributed as follows: | | |
| To Employees: | | |
| Non-executive directors | (466,680) | (406,052) |
| Management staff & other employees | (8,737,817) | (8,331,364) |
| To Government: | | |
| Income tax | (903,331) | (325,495) |
| To Expansion and Growth | | |
| Depreciation | (840,443) | (846,501) |
| To Retained Earnings | 2,957,863 | 297,001 |

APPENDIX

GENERAL AND ADMINISTRATIVE EXPENSES

| | 2021 GH¢ | 2020 GH¢ |
|------------------------------|-------------------------|-------------------------|
| Postage & telephone | 150,919 | 132,720 |
| Travelling expenses | 282,281 | 162,941 |
| Printing & stationery | 232,143 | 214,514 |
| Motor vehicle running cost | 608,920 | 467,534 |
| CSWE motor bike running cost | 112,739 | 135,014 |
| Board meeting expenses | 4,806 | 10,437 |
| Business promotion | 103,269 | 62,581 |
| Repairs & maintenance | 140,969 | 140,664 |
| Light & water | 567,619 | 493,611 |
| Entertainment | 211,686 | 153,408 |
| Computer running expenses | 639,905 | 319,527 |
| Annual general expenses | 113,888 | 70,729 |
| Security expenses | 444,033 | 415,779 |
| Insurance | 621,007 | 442,460 |
| Specie movement | 65,684 | 14,495 |
| Office expenses | 369,714 | 298,057 |
| Subscription periodicals | 57,058 | 41,326 |
| Cleaning & sanitation | 149,030 | 130,385 |
| Generating plant | 125,092 | 104,861 |
| Susu/mobilization expenses | 526,462 | 482,030 |
| Recovery expenses | 12,474 | 4,008 |
| Bank charges | 79,519 | 49,152 |
| Legal expenses | 128,068 | 78,528 |
| End of year packages | 217,444 | 128,220 |
| Bungalow expenses | 29,001 | 24,833 |
| Shortage in till | 73 | 303 |
| Penalty (BOG) | 12,000 | 3,000 |
| Commissions' expenses | 160,473 | 23,076 |
| Consultancy Fees | 50,598 | 65,356 |
| Audit Expenses | 13,255 | 12,277 |
| Defalcation | 161,964 | - |
| | <u>6,392,091</u> | <u>4,681,823</u> |



MANYA KROBO RURAL BANK

A BOUQUET OF EXCELLENT BANKING PRODUCTS AWAITS YOU

OVERDRAFTS

BUSINESS OVERDRAFTS
SALARY OVERDRAFTS



INVESTMENTS

FIXED DEPOSITS
SHARES



MONEY TRANSFERS

WESTERN UNION
MONEYGRAM
APEXLINK
MTN MOBILE MONEY
ACH DIRECT CREDIT
EZWICH



**43 YEARS
OF SOLID BANKING**

WE PROVIDE FINANCIAL SUPPORT TO SMALL, MEDIUM ENTERPRISES (SMEs)

WE ALSO PROVIDE TIMELY CREDIT FACILITIES TO LARGE SCALE ENTERPRISES

WE FACILITATE THE PAYMENTS OF SALARIES FOR FORMAL SECTOR EMPLOYEES

WE EMPLOY TECHNOLOGY ON OUR OPERATIONS



ACCOUNTS

SAVINGS ACCOUNT
CURRENT ACCOUNT
SUSU SAVINGS ACCOUNT
SCHOOL CHILD ACCOUNT
SIKATSO ACCOUNTS



BANCASSURANCE

MOTOR INSURANCE
FIRE INSURANCE
PERSONAL ACCIDENT
FAREWELL/ FUNERAL
INSURANCE
CHILD EDUCARE



LOANS

GROUP LOANS
PERSONAL LOANS
BUSINESS LOANS
MICRO LOANS
AUTO/VEHICLE LOANS
X'MAS BONANZA
EASTER LOANS
SCHOOL FEES LOANS
SALARY LOANS



OUR PRODUCTS & SERVICE

- CURRENT ACCOUNTS
- SAVINGS ACCOUNTS
- FIXED DEPOSITS
- KIDDIE ACCOUNTS
- SALARY LOANS / OVERDRAFT
- PAYROLL LOANS FOR GOVT. WORKERS
- SEASONAL LOANS FOR SALARIED WORKER
 - School Fees Loans
 - X-mas Loans
 - Easter Loans
- STUDENT SAFE ACCOUNT

MICROFINANCE LOANS

- C.S.W.E LOANS (Credit Savings with Education)
- SMALL & MEDIUM ENTERPRISE (SME LOANS)
- SUSU SAVING & LOANS
- SUSU INVESTMENT
- VEHICLE FINANCE LOAN (AUTO LOAN)
- AGRO PROCESSING LOANS

MONEY TRANSFER

- WESTERN UNION
- MONEY GRAM
- APEX - LINK
- E-ZWICH
- MTN MOBILE MONEY

PROXY FORM

If you wish to vote at the 41st AGM of Manya Krobo Rural Bank Plc., but are unable to attend in person, you may appoint a proxy to act on your behalf by completing this form.

I/We appoint
 as my/our proxy to attend and vote on my/our behalf at the A.G.M. of Manya Krobo Rural Bank Plc at the Pentecost Chapel near the Bank premises, Abanse, Odumase-Krobo on the 27th of August, 2022 at 10.00 am and at any adjournment thereof.

ANNUAL GENERAL MEETING

| | For | Against |
|--|-----|---------|
| Resolution 1: To declare a dividend | | |
| Resolution 2: To authorize Directors to fix the fees of the Auditors | | |
| Resolution 2: To fix the remuneration of Directors | | |
| Please indicate with "X" in the appropriate column how you wish your vote to be cast on the resolutions referred to above. Unless otherwise instructed proxy will vote or abstain from voting at his/her discretion. | | |

PROXY FORM

Shareholder's signature Date 2022.

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

