# JUABEN
## RURAL BANK LIMITED

AMONGST THE BEST

# FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2021

# TABLE OF CONTENTS

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that, the 36th Annual General Meeting (AGM) of Juaben Rural Bank Limited will be held at the **Wesley Methodist Church, Juaben-Ashanti,** on **Saturday 13th August, 2022 at 10:00 a.m**.

**AGENDA**

1. To read the notice convening the meeting.

2. To confirm the minutes of the last AGM held on 27th March, 2021.

3. To receive the Report of the Board Chairman.

4. To receive the report of the Directors.

5. To consider and accept the financial statements of the Bank for the year ending 31st December, 2021 and the report of the Auditors thereon.

6. **SPECIAL BUSINESS**
   To authorize the Directors to initiate steps to change the name of the Bank from Juaben Rural Bank Ltd. to Juaben Rural Bank PLC in accordance with Section 21 (1) (b) of the Companies Act, 2019 (Act 992).

7. To authorize the Directors to fix the remuneration of the Auditors.

8. To fix the Directors' remuneration.

9. To elect Directors to replace those who are retiring on rotational basis.

10. Any Other Business.

**SIGNED**

**BY ORDER OF THE BOARD**
**VICTOR OWUSU ACHEAMPONG**
**(SECRETARY)**

**NOTE:**
A member is entitled to attend and vote at the Annual General Meeting or appoint a proxy to attend and vote instead of him/her. Such a proxy needs not be a member or shareholder of the Bank.

The instrument appointing such a proxy must be deposited at the registered office of the Bank, to the Chief Executive Officer, not later than forty-eight (48) hours before the time appointed for holding the meeting.

# BOARD OF DIRECTORS AND OFFICIALS

| | | | |
|---|---|---|---|
| **DIRECTORS** | KWABENA APPIAGYEI ASANTE - KROBEA, ESQ | - | CHAIRMAN |
| | NANA DR APPIAGYEI DANKAWOSO I | - | 1ST VICE CHAIRMAN |
| | NANA OWUSU-POKU | - | 2ND VICE CHAIRMAN |
| | MR. VICTOR OWUSU ACHEAMPONG | - | SECRETARY |
| | NANA YAW SARPONG SIRIBOE | - | MEMBER |
| | ISAAC KWASI OBENG, ESQ | - | MEMBER |
| | MR. STEPHEN ACHEAMPONG | - | MEMBER |
| | MR. KWAKU MINKA FORDJOUR | - | MEMBER |
| | MR. KWABENA AGYEI-POKU | - | CO - OPTED MEMBER |

**CHIEF EXECUTIVE OFFICER** MR. AUGUSTINE AWERE DAMOAH

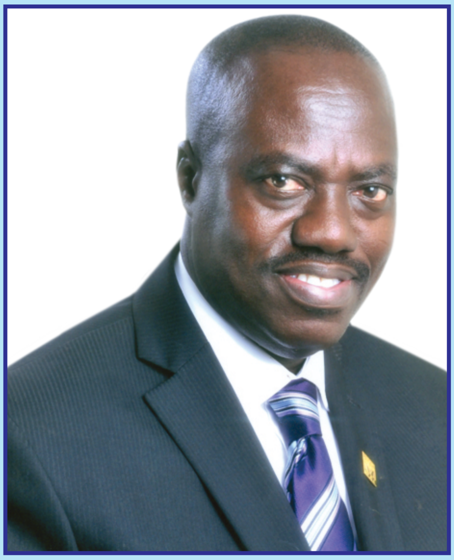
**REGISTERED OFFICE** HEAD OFFICE, JUABEN RURAL BANK LTD

**AUDITORS:**
MESSRS JOHN ALLOTEY & ASSOCIATES
PRUDENTIAL PLAZA
P. O. BOX 884
**KUMASI - ASHANTI**

**BANKERS:**
ARB APEX BANK LIMITED
CAL BANK (GHANA) LIMITED
CBG BANK LIMITED

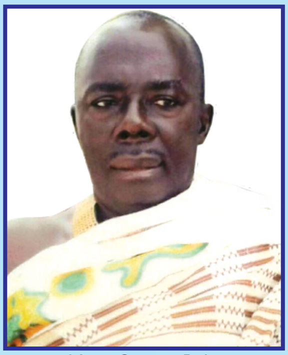
**BRANCHES:**
ROMAN HILL
ADEHYEMAN
FUMESUA
BONWIRE
MAGAZINE NEW ROAD
JUABEN
ONWE
SEPE TIMPOMU
EJISU
ABOASO
ATIMATIM

# BOARD OF DIRECTORS



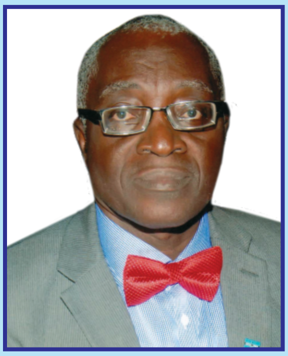
Mr. Kwabena Appiagyei Asante-Krobea, Esq
Board Chairman

Nana Dr. Appiagyei Dankawoso I
1st Vice Chairman

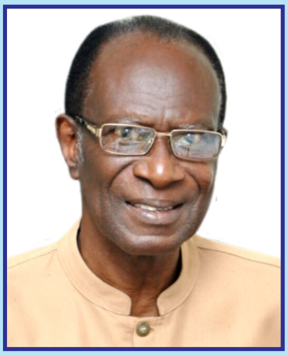


Nana Owusu-Poku
2nd Vice Chairman

Nana Yaw Sarpong Siriboe
Member



Mr. Kwaku Minka Fordjour
Member



Mr. Isaac Kwasi Obeng, ESQ
Member

Mr. Stephen Acheampong
Member

Mr. Kwabena Agyei-Poku
Co-opted Member

Mr. Augustine Awere Damoah
Chief Executive Officer

Mr. Victor Owusu Acheampong
Board Secretary

| Major Income Statement Items | 2021 GH¢ | 2020 GH¢ | APPROX. PERCENTAGE CHANGE |
|---|---|---|---|
| Gross Earnings | **28,574,064** | **22,633,784** | 26.25% |
| Interest Expenses | **3,524,778** | **2,971,346** | 18.63% |
| Overhead Expenses | **20,931,595** | **16,714,940** | 25.23% |
| Loan-Loss Charge | **382,201** | **368,973** | 3.59% |
| Profit before Taxation | **3,735,490** | **2,578,525** | 44.87% |
| Profit after taxation | **2,459,365** | **1,739,176** | 41.41% |
| **Major Balance Sheet Items** | | | |
| Total Assets | **170,964,956** | **152,957,021** | 11.77% |
| Deposit Liabilities | **147,473,907** | **132,004,247** | 11.72% |
| Loans and Advances | **51,573,069** | **42,794,272** | 20.51% |
| Shareholder's Funds | **19,506,558** | **17,279,567** | 12.89% |
| **Per Share Data** | | | |
| Earnings Per Share | **0.1712** | **0.1281** | 33.64% |
| Total Assets Per Share | **11.9019** | **11.2676** | 5.63% |
| Shares Issued to date | **14,364,498** | **13,574,952** | 5.82% |
| Dividend Per Share | **0.0600** | **0.0000** | 0.00% |
| Net Assets Per Share | **1.3580** | **1.2729** | 6.68% |

The Directors in submitting to the shareholders the financial statements of the Bank for the year ended 31 December 2021 report as follows:

**Directors' Responsibility Statement**

The Bank's Directors are responsible for the preparation of the financial statements that give a true and fair view of Juaben Rural Bank Limited financial position at 31 December 2021, and of the profit or loss and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2019 (Act 992), and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). In addition, the directors are responsible for the preparation of this directors' report.

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

The Directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern.

**Financial results and dividend**

The financial results of the Bank for the year ended 31 December 2021 are set out in the attached financial statements, highlights of which are as follows:

| 31 December | 2021<br>GH¢ | 2020<br>GH¢ |
|---|---|---|
| Profit before taxation is | 3,735,490 | 2,578,525 |
| from which is deducted taxation of | (1,276,125) | (839,349) |
| giving profit after taxation for the year of | 2,459,365 | 1,739,176 |
| less net transfer to statutory reserve fund and other reserves of | (907,421) | (217,397) |
| leaving a balance of | 1,551,944 | 1,521,779 |
| to which is added a balance brought forward on retained earnings of | 9,847,787 | 8,418,155 |
| add transfer from credit risk reserves | 63,721 | 38,211 |
| less final dividend paid of | (28,166) | (130,358) |
| leaving a balance of | 11,435,286 | 9,847,787 |

In accordance with Section 34(1) (b) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), an amount of GH¢307,421 (2020: GH¢217,397) was transferred to the statutory reserve fund from profit for the year, bringing the cumulative balance on the statutory reserve fund to GH¢3,908,071 (2020:GH¢3,600,650) at the year end.

**Dividend**
The Directors recommend the payment of a dividend of GH¢0.06 (2020 : GH¢ 0.00) per share amounting to GH¢ 932,929.02 (2020 : GH¢ 0.00) for the year ended 31 December, 2021. The number of Shareholders who qualified for dividend as per closure of register on 30th September 2021 was 14,206,986. This, however is subject to the approval of Bank of Ghana.

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

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

**Corporate Social Responsibilities**
The Bank spent a total of GH¢ 176,023 (2020: GH¢ 45,861) on corporate social responsibilities during the year. These are mainly in the form of education, health, security and sponsorships of major social events.

**Capacity of Directors**
The Bank ensures that only fit and proper persons are appointed to the Board after obtaining the necessary approval from the regulator, Bank of Ghana. Relevant training and capacity building programs, facilitated by the Ghana Banking College and the Bank of Ghana, are put in place to enable the directors discharge their duties.

**Auditor**
The auditor, John Allotey & Associates, will continue in office in accordance with Section 139 (5) of the Companies Act, 2019 (Act 992) and Section 81 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). Audit fees for the year ended 31 December 2021 is disclosed in Note 9 to the financial statements.

**Retiring Directors**
The following Directors are due to retire by Rotation:
**MR. KWABENA APPIAGYEI ASANTE-KROBEA, ESQ**
**MR. KWAKU MINKA FORDJOUR**

**Approval of the Financial Statements**
The financial statements of the Bank were approved by the Board of Directors on 8th April 2022 and were signed on their behalf by:

Mr. KWABENA APPIAGYEI ASANTE-KROBEA, ESQ
(Chairman)

Nana Owusu - Poku
(Member)

# CHAIRMAN'S REPORT TO SHAREHOLDERS
AT THE 36TH ANNUAL GENERAL MEETING OF
JUABEN RURAL BANK LIMITED HELD ON SATURDAY, 13TH AUGUST, 2022

## INTRODUCTION

Nana Otuo Siriboe II, the Omanhene of Juaben Traditional area and Chairman of Council of State, Nananom, Distinguished Shareholders, Invited Guests, the Press, on behalf of the Board of Directors I am honoured to welcome you all to the 36th Annual General Meeting (AGM) of Juaben Rural Bank Limited which for the first time since 2019 is being held with physical participation from the Shareholders. We appreciate this and give glory to the Almighty. I am pleased that so many shareholders have turned up for today's meeting.

The general meeting takes place at a time when the eyes of the world are on the ongoing war in Ukraine, which greatly affects the World economy in which our Bank operates. The ravaging effects of this war are known to all and what is worse, it is coming on the heels of the deadly COVID-19 pandemic that struck in the early months of 2020 and which continues to wreak havoc to humanity thereby slowing down global economic activities in 2021. The financial sector where we operate was not left unscathed from the ripple effects of the ravages of the virus in its original state and the subsequent waves. The debilitating effects of the pandemic, notwithstanding, your Bank remained resolute and continued to offer support to its employees, customers and the various communities in diverse ways during this unprecedented challenging times. The vaccination programme which was initiated to curb further spread of the virus is still ongoing by the Ministry of Health and I entreat everyone to participate in the programme so that we can all defeat this pandemic together. We pray that the souls of our shareholders, customers and other individuals who passed on as a result of the novel corona virus pandemic would continue to rest in the Bosom of the Almighty God.

Nananom, distinguished Invited Guests, Shareholders, I now present to you the Annual Reports and Financial Statements of the Bank for the year ending 31st December, 2021.

## ECONOMIC REVIEW

The developments in the global economy as a result of the ravages of the Covid-19 pandemic had a knock-on effect on the local economy. Inflation trended upwards from 10.4 percent in December 2020 to 12.6 percent in December 2021. Interest rates on the money market broadly showed downward trends across the yield curve. The 91-day Treasury bill rate declined to 12.5 percent in December 2021 from 14.1 percent in 2020, and the 182-day Treasury bill rate fell to 13.2 percent in 2021 from 14.1 percent in 2020.

The Ghana Cedi depreciated by 4.1 percent and 3.1 percent against the US Dollar and Pound respectively in 2021, compared with 3.9 percent and 7.1 percent depreciation in 2020. The Cedi however, appreciated by 3.5 percent against the Euro compared to a depreciation rate of 12.1 percent in 2020. The economic overview did not look good. The overall performance of the banking sector in 2021, however ,was encouraging with sustained growth in assets and deposits alongside improvements in the various financial indicators.

## FINANCIAL REVIEW

Dear Shareholders, the financial performance of your Bank for the year ending 31st December, 2021 has been summarized as follows:

| ITEM | YEAR 2021 (GH¢) | YEAR 2020 (GH¢) | Approx. PERCENTAGE CHANGE |
|---|---|---|---|
| Deposits | 147,473,907.00 | 132,004,247.00 | 11.72% |
| Loans and Advances (Gross) | 55,090,854.00 | 45,929,856.00 | 19.95% |
| Investments | 89,377,251.00 | 85,320,640.00 | 4.75% |
| Total Assets | 170,964,956.00 | 152,957,021.00 | 11.77% |
| Stated Capital | 3,671,040.00 | 3,276,267.00 | 12.05% |
| Profit before taxation | 3,735,490.00 | 2,578,525.00 | 44.87% |
| Profit after taxation | 2,459,365.00 | 1,739,176.00 | 41.41% |

**SECTORAL BREAKDOWN OF LOANS/ADVANCES**

| SECTOR | YEAR 2021 (GH¢) | YEAR 2020 (GH¢) | Approx. PERCENTAGE CHANGE |
|---|---|---|---|
| Agriculture | 2,410,343.00 | 1,331,882.00 | 80.97% |
| Cottage Industries | 3,422,594.00 | 1,546,656.00 | 121.29% |
| Transport | 1,841,119.00 | 1,993,168.00 | (7.63%) |
| Trading | 15,724,435.00 | 14,123,745.00 | 11.33% |
| Others (salaried workers and funeral loans) | 31,358,913.00 | 26,600,955.00 | 17.89% |
| Jopos Farmer's Loans | 333,450.00 | 333,450.00 | |
| TOTAL | 55,090,854.00 | 45,929,856.00 | 19.95% |

**DIVIDEND**

The Board of Directors proposed the payment of a dividend of GH¢0.06 (2020: GH¢0.00) per share amounting to GH¢852,419.16 (2020: GH¢0.00) for the year ended 31st December, 2021, the payment of which was subject to the approval of the Bank of Ghana.

Sequel to the above, we are happy to inform you that, upon the Bank's request, the Bank of Ghana has raised a "no objection" to the payment of dividend for the 2021 financial year and we would require the approval of shareholders to effect payment.

**STATED CAPITAL**

Fellow Shareholders, as had already been reported on the financial performance of our Bank above, our Bank's Paid-up Capital increased from GH¢3,276,267.00 as at the end of the previous year to GH¢3,671,040.0 and I wish to encourage shareholders to continue to increase their shareholding with the Bank so that we can together grow our Bank and enjoy the dividends thereon. I would also like to use this opportunity to appeal to non-shareholders who are part of this meeting to come and acquire shares in our Bank for good returns on your investment.

**BOARD OF DIRECTORS**

The following Directors are due to retire by rotation at the end of this meeting.

a. Mr. Kwabena Appiagyei Asante-Krobea, Esq.
b. Mr. Kwaku Minka Fordjour

Mr. Kwaku Minka Fordjour has however presented himself for re-election and I urge members to endorse him accordingly to continue with the good work he is doing on the Board.

Lawyer Isaac Kwasi Obeng who joined the Board in August, 2009 has expressed his desire to retire at the end of this Annual General Meeting. On behalf of Shareholders, Board of Directors and on my own behalf I would like to express our profound gratitude to Mr. Obeng for his dedicated service to the Bank all these years. We wish him well in all his future endeavours.

Dear Shareholders, I joined the Board in 1993 as a Board member and took over as the Board Chairman after the unfortunate demise of Nana Awuah Darko Ampem I, the first Board Chairman of our Bank. During my tenure, our Bank has chalked a lot of successes and I would like to retire from the Board and my position as Board Chairman at the end of this meeting and give equal opportunity to other people to also serve on the Board and bring to the Bank their wealth of knowledge and experience to help grow our Bank. It is my prayer that my successor would sustain the gains made and push our Bank to a higher pedestal.

I would like to use this opportunity to thank shareholders for giving me the opportunity to serve the Bank.

**CORPORATE SOCIAL RESPONSIBILITY**

During the review period, Juaben Rural Bank Ltd. continued to contribute its quota to the development of the Communities in its catchment area as part of its corporate social responsibility in the following area;

a. **X-Ray Department at the Juaben Government Hospital**

Your Bank's focus has always been to create shared value i.e. value for our shareholders on one hand and value for the people and communities, without whom there would be no business, on the other hand. We are delighted to inform you of the completion of the X-ray Department of the Juaben Government Hospital which was funded by the Bank at a total cost of GH¢346,428.00 as part of its corporate social responsibility.

This facility was handed over to the hospital authorities on the 20th of November, 2021 under the auspices of Nana Otuo Siriboe II and we are hopeful that this would help improve health care delivery at the Juaben Municipal hospital. We plead with the Hospital Authorities to take good care of the facility and ensure consistent maintenance of same.

**b. Scholarships to Shareholders' Children**

Dear Shareholders, during the period under review, the Bank continued to support the education of brilliant but needy students of our shareholders who have gained admission to tertiary institutions.

An amount of GH¢20,000.00 was spent on eleven students who are currently on the scholarship scheme and we appeal to shareholders whose wards have been admitted onto the scheme tospeak to them to continue to learn hard so that the Bank would be encouraged to support the education of other brilliant but needy students.

**c. Others**

In addition to the above, the Bank further spent an amount of GH¢85,796.00 to support other projects. The focus was on these areas: education, health, sanitation, agriculture and other areas of need. The breakdown is as follows:

| NO. | NAME OF INSTITUTION/GROUP | AMOUNT (GH ¢) |
|---|---|---|
| 1. | Support to Farmers' day celebration - Juaben, Ejisu, Asokore Mampong, Kwabre East, Bosome Freho, Old Tafo, Suame and Afigya Kwabre South District and Municipal Assemblies | 26,296.00 |
| 2. | Ghana Blind Association | 500.00 |
| 3. | Ejisu M/A Model School | 2,000.00 |
| 4. | Financial Support to Samuel Oppong (Customer and shareholder diagnosed of end “stage kidney ” disease) | 3,000.00 |
| 5. | Financial Support to Ghana Education Service -Juaben Municipal | 1,500.00 |
| 6. | Ghana National Fire Service, Ejisu (Implementation of Action plan on bush fire) | 1,000.00 |
| 7. | Financial support to the Various activities of the Juaben Traditional Council | 50,000.00 |
| 8. | Juaben Youth Association (Annual football competition) | 1,500.00 |
| | **TOTAL** | **85,796.00** |

## REPAYMENT OF LOAN FACILITIES
Dear Shareholders, your Bank shall continue to support its customers by advancing facilities to support their businesses and as such I would like to entreat our cherished customers to ensure prompt payment of loans and overdrafts which had been advanced to them so that our Bank would continue to grow.

## HUMAN CAPITAL DEVELOPMENT
The human capital and talent of our Bank is the true driver of our business value and the Bank shall continue to prioritize investment in the human capital by building the capacity of our employees to enhance their personal and professional development skills. During the period under review the Bank continued to build the capacity of employees by providing them with opportunities to improve on their skills and provide them with the relevant knowledge that would assist them to grow and contribute meaningfully towards the growth of the Bank. Going forward, the Bank shall continue to provide employees with a serene working environment to discover, develop and use their knowledge for the betterment of the organization.

## TECHNOLOGY
The Bank believes that Technology is a catalyst for improving efficiency and business performance in today's dynamic banking business and your Bank will continue to invest significantly in modernizing and improving our digital capabilities. There is no doubt that the power of digital technology has already transformed the nature of banking, and will keep doing so at an exponential rate. Modern core banking platforms can carry out tasks that were not even thought possible a few short years ago. We need to stay ahead of the curve and transform the technologies that power our bank so we can deliver the services our members will demand in future.

It is in pursuit of this digital drive that your bank has invested in the design and rollout of the JRB Blue Wallet product which affords customers a varied digital banking solution services where transactions are done at the comfort of their homes with mobile phones.

In addition, the Ghana Interbank Payment and Settlement Systems (GHIPSS) has also launched the GhanaPay platform which is aimed at providing an open application that would leverage on network infrastructure of the entire banking industry and I would appeal to our customers to take advantage of this platform by registering for this service.

## OUTLOOK
In spite of the challenges the local economy had been faced with during the 1st quarter of 2022, ie rising inflation, unstable interest and exchange rates, coupled with the global economic challenges including the rising cost of crude oil, we are hopeful that the Government's efforts to address these issues would yield the desired results and that the country and the global economy would rebound from these economic challenges.

The Board is confident that with the continuous execution of its strategies and business priorities, your Bank shall continue to deliver sustainable returns to shareholders. To further boost the sustainability drive, the Board has initiated steps to open a new agency in Kumasi subject to approval by the Bank of Ghana. The Board is of the view that this new agency would not only help improve the deposits and profit of the Bank but would also help sustain all the gains made as a bank.

**CONCLUSION**

On behalf of the Board, I wish to express our sincere gratitude to the Omanhene of Juaben Traditional Area and Chairman of the Council of State of the Republic of Ghana, Nana Otuo Siriboe II and his Elders for their unwavering support over the years. The supervisory and advisory roles of the Bank of Ghana, ARB Apex Bank Limited and the Association of Rural Banks cannot be left unmentioned. To you our most cherished shareholders as well as our loyal customers, we say ayekoo to you for your positive contributions which has brought our Bank this far.

I wish to use this opportunity to thank the hardworking Management and entire Staff for their continued dedication, diligence and commitment towards implementing the policies of the Board, the results of which we have all witnessed today.

To my fellow Directors, I wish to thank you for your support, proper directions, positive contributions and the wealth of knowledge and experience that you bring to the bank which has made the Bank truly live to its accolade "Amongst the Best".

Above all, we thank the Almighty God who gives us the power to make wealth. We say may His Name be praised.

**Thank you.**

**KWABENA APPIAGYEI ASANTE KROBEA, ESQ.**
**(BOARD CHAIRMAN)**

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of JUABEN RURAL BANK LIMITED, which comprise the statements of financial position as at 31 December 2021 and the statements of comprehensive income, changes in equity and cash flows for the year ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 45.

In our opinion, these financial statements give a true and fair view of the financial position of **JUABEN RURAL BANK LIMITED** as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2019 (Act 992), and the Banks and Specialised Deposit–Taking Institutions Act, 2016 (Act 930).

### Basis for Opinion

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

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, we have provided our description of how our audit addressed the matter as provided in that context.

### Key audit matter

Impairment allowances represent management's best estimate of expected credit loss ('ECL') within each portfolio at the balance sheet date. The identification and the determination of allowances is inherently judgmental.

During the year, impairment allowances increased from GHS 3,135,584 as at 31 December 2020 to GHS 3,517,785 as at 31 December 2021. The key areas where we identified significant levels of management judgement and therefore increased levels of audit focus in the Bank's implementation of IFRS 9 are:

Economic scenarios – IFRS 9 requires the Bank to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied to determining the economic scenarios used, particularly in the context of COVID 19, and the probability weightings applied.

Significant Increase in Credit Risk ('SICR') –the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Bank's ECL calculation as these criteria determine whether a 12-month or lifetime provision is recorded. Increased
judgement exists in the current year relating to the treatment of those customers who were granted one or more COVID 19 payment reliefs.

ECL estimations – Inherently judgmental modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD models used are the key drivers of the Bank's ECL results and are therefore the most significant judgmental aspect of the Bank's ECL modelling approach.

Adjustments to the model driven ECL results are raised by management to address known impairment model limitations, model responsiveness or emerging trends relating to

**How the matter was addressed in our audit**
Based on our risk assessment and industry knowledge, we have examined the impairment allowance on loans and advances to customers and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter.

**Our procedures included:**

- Assessing and testing the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers.

- Assessing and testing the design and operating effectiveness of controls over the Bank's loan impairment process regarding management's monitoring of loan performance.

- Using financial risk model specialists to independently assess and substantively validate the impairment models by re-performing calculations and agreeing data inputs to source documentation.

- Assessing whether key data inputs used in the ECL calculation are complete and accurate through testing relevant data fields and their aggregate amounts against data in the source system.

- Assessing the ongoing effectiveness of the SICR criteria through loan file reviews and independently determining the staging of the Bank's loans and advances portfolio, including determining the reasonableness of the Bank's treatment of COVID 19 payment relief to customers from a SICR perspective.

- Testing over key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and PD, LGD and EAD assumptions applied.

COVID 19. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts.

- Disclosure quality - the disclosures regarding the Bank's credit risks are key to understanding the key judgements and material inputs to the IFRS 9 ECL results.

- Given the high degree of estimation uncertainty and significance of the balance, we considered impairment allowances on loans and advances to customers to be a key audit matter.

- Considering the adequacy of the Bank's disclosures in relation to impairment about changes in estimates occurring during the period and its sensitivity to key assumptions. In addition, we assessed whether the disclosure of the key judgements and assumptions made, including COVID 19 related disclosures, was reasonable.

**Other Information**
The Directors are responsible for the Other Information. The other information comprises the Directors Report as requested by the Companies Act, 2019 (Act 992), notice and agenda for the Annual General Meeting, Corporate information, chairman's report. Other information does not include financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**
The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit–Taking Institutions Act, 2016 (Act 930), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either in tend 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.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the bank audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

Compliance with the requirements of Section 137 of the Companies Act, 2019 (Act 992)

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

**ii)** In our opinion, proper books of account have been kept, so far as appears from our examination of those books.

**iii)** The Bank's statements of financial position and comprehensive income are in agreement with the accounting records and returns.

**iv)** We are independent of the Bank under audit pursuant to Section 143 of the Companies Act, 2019 (Act 992).

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

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

**ii)** The Bank's transactions were within their powers and the Bank generally complied with the relevant provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

**iii)** The Bank have generally complied with the provisions of the Anti-Money Laundering Act, 2020 (Act 1044), the Anti-Terrorism Act, 2008 (Act 762) and all relevant Amendments and Regulations.

The engagement partner on the audit resulting in this independent auditor's report is: Nana Forkuoh-Ababioh Yentumi (ICAG/P/1154).

For and on behalf of John Allotey & Associates
*(ICAG/F/2022/161)*
Chartered Accountants
Prudential Plaza
Adum Kumasi, Ghana
Date: 14th April, 2022.

# STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER, 2021

| | NOTES | 2021<br>GH¢ | 2020<br>GH¢ |
|---|---|---|---|
| Interest Income | 4 | 25,910,523 | 20,390,171 |
| Interest Expense | 5 | (3,524,778) | (2,971,346) |
| Net Interest Income | | 22,385,745 | 17,418,825 |
| Commission and Fees | 6 | 1,732,201 | 1,350,925 |
| Other Operating Income | 7 | 931,340 | 892,688 |
| **Total Income** | | **25,049,286** | **19,662,438** |
| Loan Impairment Charge | 13C | (382,201) | (368,973) |
| Personnel Expenses | 8 | (11,056,968) | (8,529,136) |
| Depreciation & Amortisation | 18 & 19a | (1,617,297) | (1,377,851) |
| Operating Expenses | 9 | (8,257,330) | (6,807,953) |
| **Profit Before Taxation** | | **3,735,490** | **2,578,525** |
| Income Tax Expense | 15a | (1,276,125) | (839,349) |
| **Profit for the year** | | **2,459,365** | **1,739,176** |
| **Other Comprehensive Income ( Net of Income Tax)** | | | |
| Deferred tax on Revaluation Reserves | 17 | 1,019 | (4,077) |
| **Total Comprehensive Income for the year** | | **2,460,384** | **1,735,100** |
| **Earnings per share:** | | | |
| Basic earnings per share (GH¢) | 10 | **0.17** | **0.13** |
| Diluted earnings per share (GH¢) | 10 | **0.17** | **0.13** |

# STATEMENT OF FINANCIAL POSITION AS AT
31 DECEMBER, 2021

| | NOTES | 2021 | 2020 |
|---|---|---|---|
| | | GH¢ | GH¢ |
| **Assets** | | | |
| Cash and Bank Balances | 11 | 18,394,387 | 13,786,752 |
| Government Securities | 12 | 89,377,251 | 85,320,640 |
| Loans & Advances to customers | 13 | 51,573,069 | 42,794,272 |
| Investment Security - Available for sale | 14 | 83,323 | 83,323 |
| Other Assets | 15 | 1,164,440 | 1,007,841 |
| Taxation | 16b | - | 198,016 |
| Deferred Tax - Asset | 17 | 441,012 | 402,011 |
| Intangible Assets | 18 | 290,922 | 369,058 |
| Property,Plant and Equipment | 19 | 9,640,552 | 8,995,108 |
| **Total Assets** | | **170,964,956** | **152,957,021** |
| **Liabilities** | | | |
| Deposits from Customers | 20 | 147,473,907 | 132,004,247 |
| Creditors and Accruals | 21 | 2,055,136 | 2,185,594 |
| Loans from Other Financial Institution | 22 | 1,064,536 | 1,226,974 |
| Taxation | 16b | 98,973 | - |
| Development Fund | 23 | - | 4,443 |
| Staff Pension Fund | 24 | 765,846 | 256,196 |
| **Total Liabilities** | | **151,458,398** | **135,677,454** |
| **Equity and Reserves** | | | |
| Stated Capital | 25 | 3,671,040 | 3,276,267 |
| Retained Earnings | 26 | 11,435,286 | 9,847,787 |
| Statutory Reserve | 27 | 3,908,071 | 3,600,650 |
| Credit Risk Reserve | 28 | 243,800 | 307,521 |
| Revaluation Reserves | 29 | 208,957 | 207,938 |
| Capital Surplus | 30 | 39,404 | 39,404 |
| **Total Equity and Reserves** | | **19,506,558** | **17,279,567** |
| **Total Liabilities, Equity and Reserves** | | **170,964,956** | **152,957,021** |

**Approved by the Board of Directors on 8th April, 2022 and signed on its behalf by:**

**DIRECTOR:** ..................................................

**DIRECTOR:** ..................................................

# STATEMENT OF CHANGES IN EQUITY

| 2021 | STATED CAPITAL GH¢ | INCOME SURPLUS GH¢ | STATUTORY RESERVE FUND GH¢ | CREDIT RISK RESERVE GH¢ | CAPITAL SURPLUS GH¢ | REVALUATION RESERVES GH¢ | TOTAL GH¢ |
|---|---|---|---|---|---|---|---|
| At 1 January, 2021 | 3,276,267 | 9,847,787 | 3,600,650 | 307,521 | 39,404 | 207,938 | 17,279,567 |
| Profit for the year | - | 2,459,365 | - | - | - | - | 2,459,365 |
| Dividend | - | (28,166) | - | - | - | - | (28,166) |
| Issue of additional shares | 394,773 | - | - | - | - | | 394,773 |
| Transfer to: | - | - | - | | - | - | - |
| Statutory Resrve | - | (307,421) | 307,421 | | - | - | - |
| Staff Fund | - | (600,000) | - | | - | - | (600,000) |
| Net Change in Revaluation Reserves | - | - | - | - | - | 1,019 | 1,019 |
| Credit risk Transfer | - | 63,721 | - | (63,721) | - | - | - |
| **At 31 December, 2021** | **3,671,040** | **11,435,286** | **3,908,071** | **243,800** | **39,404** | **208,957** | **19,506,558** |

| 2020 | STATED CAPITAL GH¢ | INCOME SURPLUS GH¢ | STATUTORY RESERVE FUND GH¢ | CREDIT RISK RESERVE GH¢ | CAPITAL SURPLUS GH¢ | REVALUATION RESERVES GH¢ | TOTAL GH¢ |
|---|---|---|---|---|---|---|---|
| At 1 January, 2020 | 2,892,515 | 8,418,155 | 3,383,253 | 345,732 | 39,404 | 212,015 | 15,291,074 |
| Profit for the year | - | 1,739,176 | - | - | - | - | 1,739,176 |
| Dividend | - | (130,358) | - | - | - | - | (130,358) |
| Issue of additional shares | 383,752 | - | - | - | - | - | 383,752 |
| Revaluation Surplus | - | - | - | - | - | - | - |
| Transfer to: | - | - | - | - | - | - | - |
| Statutory Resrve | - | (217,397) | 217,397 | - | - | - | - |
| Staff Fund | - | - | - | - | - | - | - |
| Net Change in Revaluation Reserves | - | - | - | - | - | (4,077) | (4,077) |
| Credit risk Transfer | - | 38,211 | - | (38,211) | - | - | - |
| **At 31 December, 2020** | **3,276,267** | **9,847,787** | **3,600,650** | **307,521** | **39,404** | **207,938** | **17,279,567** |

# STATEMENT OF CASH FLOWS

| | YEAR ENDED 31 DECEMBER | |
|---|---|---|
| **Cash Flows from Operating Activities** | **2021** | **2020** |
| | **GH¢** | **GH¢** |
| Profit before Tax | 3,735,490 | 2,578,525 |
| Depreciation & Amortisation | 1,617,297 | 1,377,851 |
| Interest received | 8,049 | 9,210 |
| Fund Utilised- Development Fund & AGM Fund | (4,443) | (8,550) |
| **Cash Flows from Operating activities before changes in operating Assets & Liabilities** | **5,356,393** | **3,957,036** |
| **Changes in Operating Assets & Liabilities** | | |
| Change in Loans and Advances to Customers | (8,778,797) | (3,507,957) |
| Change in Other Assets | (156,599) | 353,127 |
| Change in Deposits from customers | 15,469,660 | 39,488,720 |
| Employee benefit paid | (98,399) | (402,399) |
| Change in Creditors & Accruals | (130,458) | 103,478 |
| **Cash generated from operating Activities** | **11,661,800** | **39,992,005** |
| Tax Paid | (1,017,118) | (750,000) |
| **Net Cash generated from operating Activities** | **10,644,682** | **39,242,005** |
| **Cash Flows from Investing Activities** | | |
| **Purchase of Property , Equipment & Intangibles** | (2,184,605) | (1,850,677) |
| **Purchase of Treasury bills and other eligible bills** | (4,056,611) | (37,837,477) |
| **Dividend Paid** | (28,166) | (130,358) |
| **Net Cash used in Investing Activities** | **(6,269,382)** | **(39,818,512)** |
| **Cash flows from financing Activities** | | |
| Change in Loan | (162,438) | (91,510) |
| Additional Shares Issued | 394,773 | 383,752 |
| Net Cash used in Financing Activities | **232,335** | **292,242** |
| Net (decrease)/Increase in Cash and Cash Equivalent | **4,607,635** | **(284,265)** |
| **Cash and Cash Equivalent at beginning of period** | 13,786,752 | 14,071,017 |
| **Cash and Cash Equivalent at end of the year** | **18,394,387** | **13,786,752** |

## 1.0 REPORTING ENTITY

Juaben Rural Bank Limited is a public Limited Liability Company incorporated and domiciled in Ghana. The Registered office is located at House number DA 88, Juaben, Ashanti Region. The Bank is licensed by the Bank of Ghana (BOG) to receive deposits from and grant loans to customers and also provide any other service ancillary to financial services allowed by the regulator.

## 2.0 Basis of preparation

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

### 2.1 Statement of Compliance

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

### 2.2 Functional and Presentation Currency

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

### 3.1 SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1.1 Recognition of interest income

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria apply in revenue recognition.

3.1.2 **Interest Income**

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

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR.
Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty, interest and charges). If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income The adjustment is subsequently amortised through Interest and similar income in the statement of comprehensive income.

3.1.3 **Interest and similar income**

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

When a financial asset becomes credit-impaired and is, therefore, regarded as ‘Stage 3’, the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.
Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income.

3.1.4 **Fees and commissions**

Fees and commission income and expenses that are an integral part of the effective interest rate on financial instruments are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, management fees, sales commission, placement and arrangement fees and cheque clearing fees are recognised as the related services are performed.

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

3.1.5 **Other Operating Income**

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

3.1.6 **Interest Expense**

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

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the interest expense.

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

The effective interest rate is calculated on initial recognition of the financial liability, estimating the future cash flows after considering all the contractual terms of the instrument. The calculation includes fees paid by the Bank that are an integral part of the acquisition, issue or disposal of a financial instrument .

3.1.7 **Income tax expense**

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

3.1.8 **Current Taxation**

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

3.1.9 **Deferred Taxation**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

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

3.2 **Financial assets and liabilities**
**Initial recognition and measurement**

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

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

3.2.1 **Classification and subsequent measurement**

From 1 January 2018, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:
· Fair value through profit or loss (FVPL);
· Fair value through other comprehensive income (FVOCI); or
· Amortised cost.

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

3.2.2 **Debt instruments**

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

Classification and subsequent measurement of debt instruments depend on:
• the Bank's business model for managing the asset; and
• the cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:
a) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

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

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

The above classifications are done using:

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

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

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

3.2.3 **Equity instruments**

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

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

3.2.4 **Impairment**

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

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

3.2.5 **Modification of loans**

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

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

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset.

The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on de-recognition.

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

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

3.2.6 **De-recognition other than on a modification**

**Financial assets**

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of
(I) the consideration received (including any new asset obtained less any new liability assumed) and
(ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.
Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

3.2.7 **Identification and measurement of impairment**

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

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- indications that a borrower or issuer will enter Bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.

The Bank considered evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that were not individually significant were collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

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

Impairment losses on assets measured at amortised cost were calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset were renegotiated or modified or an existing financial asset was replaced with a new one due to financial difficulties of the borrower, then an assessment was made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In such case, the original financial asset was derecognised and the new financial asset was recognised at fair value.

The impairment loss before an expected restructuring was measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset were included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset was treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount was discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses were recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continued to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised, caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

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

3.2.8 **Assets carried at amortised cost**

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

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

3.2.9 **(e) Derecognition of financial assets and liabilities**

The derecognition policies for financial assets and liabilities have not changed on the adoption of IFRS 9.

3.3 **Financial Liabilities**

i) **Classification**

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

ii) **Measurement**

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

iii) **Derecognition**

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

3.3 **Fair value measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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

3.4 **Cash and cash equivalents**

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

3.5 **Loans and advances**

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

Loans and advances to Banks are classified as hold to collect.

Loans and advances to customers include:

- those classified as loans and receivables; and

- finance lease receivables.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Loans and advances also include finance lease receivables in which the Bank is the lessor.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

3.6 **Investments**

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as hold to collect or hold to sell.

3.7 **Non pledged and pledged trading assets**

The non-pledged trading assets portfolio comprises debt securities purchased with the intent of short-term profit taking. The Bank values these securities with reference to quoted prices in active markets for identical assets.

These securities are designated at fair value, with fair value changes recognized immediately in profit or loss.

3.8 **Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Bank of similar transactions such as in the Bank's trading activity.

3.9 **Collateral**

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of cash or securities in respect of other credit instruments or a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future liabilities. Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from Banks or other counterparties.

Any interest payable or receivable arising is recorded as interest payable or interest income respectively except for funding costs relating to trading activities which are recorded in net trading income.

3.10 **Property, plant and equipment**

**(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

**(ii) Subsequent costs**

The cost of replacing part of an item of property or equipment is 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 and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this must closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

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

| | |
|---|---|
| Building | 5% |
| Office Equipment | 25% |
| Computer and Accessories | 33.3% |
| Furniture & Fittings | 20% |
| Motor Vehicles | 25% |
| Improvement to Rented Premises | 20% |

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

3.11 **Leasehold property**

Leasehold property is initially recognised at cost. Subsequent to initial recognition, leasehold property is amortised over the lease term of the property. The amortisation is recognised in profit or loss.

3.12 **Intangible assets**

**Computer software**

Software acquired by the Bank is measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Intangible assets with indefinite useful lives are not amortized. 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 software is Five years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

3.13 **Impairment of non-financial assets**

The carrying amounts of the Bank's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is 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 that generates cash flows that are largely independent from other assets. 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 (Bank of units) on a pro rata basis.

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

In respect of other assets, impairment losses 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.

3.14 **Deposits and borrowings**

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

3.15 **Provisions**

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

If the effect of the Time Value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as Borrowing Cost.

3.16 **EMPLOYEE BENEFIT**

**Short-Term Benefits**

**a. Short Term Benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Bank has a present legal or constructive obligation to pay this amount as s result of past service provided by the employee and the obligation can be estimated reliably.

**b. Post Employment Benefits**

**Defined Contribution Plans**

**i. Social Security and National Insurance Trust (SSNIT**)

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

**ii. Provident Fund**

The Bank has a Provident Fund Scheme for all employees who have completed probation with the Bank. Employees contribute 5.5% of their basic salary to the Fund whilst the Bank contributes 11%.

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

3.17 **Events after the Reporting Date**

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

3.18 **Dividend**

Dividend on ordinary shares is recognized on equity in the period in which they are approved by the company's shareholders. Dividend proposed for approval at AGM is not recognized as a liability as at 31 December, 2021.

The Directors do recommend the payment of dividend for the year ended 31 December, 2021.

3.19 **Earnings per share**

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

3.20 **RISK MANAGEMENT**

Risk in a Banking organisation is the possibility that the outcome of an action or event could bring about adverse impacts. Such outcomes could either result in a direct loss of earnings/capitalor may result in imposition of constaints on the Bank's ability to meet its business objectives.

Such constraints pose a risk as these could hinder a Bank's ability to conduct its ongoing business or to take benefit of opportunities to enhance its business.

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

a. **Risk Management Structure**

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

b. **Risk Measurement and Reporting System**

Risk taking is an integral part of Banking business. In undertaking its business, JRB Limited has to strike an appropriate balance between the level of risk it is willing to take and the level of returns it desires to achieve. In order to ensure that its risks are well managed within the Bank's risk appetite, an effective risk management system that is commensurate with the size and nature of ARKB's operations needs to be in place at all times.

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

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

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

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

c. **Operational Risk**

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

**Business Units and Support Functions**

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

**Operational Risk Management (ORM)**

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

**Internal Audit**

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

d. **Market Risk**

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

The Bank recognizes market risk as the exposure created by potential changes in market prices and rates, such as interest rates, equity prices and foreign exchange rates. The Bank's exposure to market risk arises principally from customer driven transactions.

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

3.21 **Write-off Policy**

The Bank writes off a loan when the Credit Committee determines that the loan is non-recoverable.

Upon the recommendation of the Credit Committee, write -offs are referred to the Board and then to the Bank of Ghana for ratification.

3.22 **Reputational Risk**

Reputation, though an intangible asset, is considered as one of the prized assets of the Bank.

The Bank's definition of reputational risk is the risk of loss or under-performance caused by deterioration in public perception of (any part) the Bank, arising from adverse publicity or rumour. This can affect the Bank's ability to establish new relationships or retain existing relationships.

Reputational risk can expose the Bank to financial loss, decline in customer base, litigation and loss of business generally. By the nature of its operations, reputational risk management plays a very significant role within the Bank. The Bank ensures compliance with all legal, statutory & Regulatory Requirements.

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

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

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

3.23 **Credit Risk**

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

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

The Credit Risk is managed through the systems and controls establised by a Credit# Department that ensure that there is review of the status of the credit at every stage, from application to completion of the repayment of the advance by the custmer. There is the Credit Committee that reviews reports of the performance of the Loans and Overdrafts and takes appropriate action for recovery. Credit facilities are also closely monitored to uncover early warning signal or non-performance. The maximum amount of credit risk emanating from these sources is as follows:

| | 2021 | 2020 |
|---|---|---|
| | Ghc | Ghc |
| Loans and Advances to customers | 54,757,404 | 45,596,406 |
| | **54,757,404** | 45,596,406 |

The Bank's loans and advances were categorised by the Bank of Ghana prudential guidelines as follows:

I. Exposures that are neither past due nor impaired;

II. Exposures that are past due but not impaired; and

III. Individually impaired facilities

| | | |
|---|---|---|
| Maximum exposures to credit risk | | |
| Carrying amount | **51,573,069** | **42,794,272** |
| Grade 1-3: Low - fair risk - Current | 49,942,781 | 41,517,767 |
| Grade 4-5: Low - watch list | 1,211,164 | 529,409 |
| Grade 6: Substandard | 299,227 | 304,191 |
| Grade 7: Doubtful | 372,075 | 746,142 |
| Grade 8: Loss | 2,932,158 | 2,498,897 |
| Total Gross Amount | 54,757,404 | 45,596,406 |
| Jopos Farmers Loan | 333,450 | 333,450 |
| Allowance for impairment | (3,407,775) | (3,025,574) |
| Unearned Interest(Jopes Farmers Loans) | (110,010) | (110,010) |
| Net Carrying Amount | **51,573,069** | **42,794,272** |

| | Ghc | Ghc |
|---|---|---|
| **Neither past due nor impaired** | | |
| Grade 1-3: Low - fair risk | 49,942,781 | 41,517,767 |
| **Past due but not impaired** | | |
| Grade 4-5: watch list | 1,211,164 | 529,409 |

**c Impaired classified by number of days due**

| | | |
|---|---|---|
| 90-180 days | 299,227 | 304,191 |
| 180-360 days | 372,075 | 746,142 |
| 360 day + | 2,932,158 | 2,498,897 |
| | **3,603,460** | **3,549,230** |
| **Individually Impaired** | | |
| Substandard | 299,227 | 304,191 |
| Doubtful | 372,075 | 746,142 |
| Loss | 2,932,158 | 2,498,897 |
| | **3,603,460** | **3,549,230** |

## Neither past due nor impaired

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

**This category is made up as folows:**

| December 2021 | Term Loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Grade: | | | | |
| Current | 32,884,334 | 11,137,386 | 5,921,061 | 49,942,781 |

| December 2020 | Term Loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Grade: | | | | |
| Current | 26,480,760 | 10,293,266 | 4,743,740 | 38,296,781 |

## Loans and advances past due but not impaired

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

| December 2021 | Term Loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Grade: | | | | |
| Past due but not impaired | 138,601 | 1,069,706 | 2,857 | 1,211,164 |

| December 2020 | Term Loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Grade: | | | | |
| Past due but not impaired | 233,543 | 295,866 | 57,125 | 214,369 |

**Individually impaired loans - Stage 3**

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

| December 2021 | Term Loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Grade: | | | | |
| Individually impaired loans | 2,454,862 | 1,091,473 | 57,125 | 3,603,460 |
| | | | | |
| Fair Value of Collateral | 865,362 | 169,691 | - | 1,035,053 |

| December 2020 | Term Loans | Overdrafts | Staff loans | Total |
|---|---|---|---|---|
| Grade: | | | | |
| Individually impaired loans | **3,087,917** | **406,850** | **54,464** | **3,549,230** |
| | | | | |
| Fair Value of Collateral | **746,900** | **146,461** | **-** | **893,361** |

At 31 December 2021, the Bank's loans and Advances were categorised under IFRS 9 as follows:
Stage 1 - At initial recognition - Performing
Stage 2 - Significant increase in credit risk since initial recognition - Underperforming
Stage 3 - Credit Impaired - Non-performimg

| | **2021** | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Cash & Cash equivalents | 18,394,387 | - | - | 18,394,387 |
| Investment Securities | 89,377,251 | - | - | 89,377,251 |
| Investment other than Securities | 83,323 | - | - | 83,323 |
| Loans & Advances to Customers | 49,942,781 | 1,211,164 | 3,603,460 | 54,757,404 |
| Other assets ( less Prepayments) | 1,164,440 | - | - | 1,164,440 |
| Gross carrying amount | 158,962,182 | 1,211,164 | 3,603,460 | 163,776,805 |
| Loss allowances | (934,202) | (15,176) | (2,568,407) | (3,517,785) |
| Carrying amount | **158,027,980** | **1,195,988** | **1,035,052** | **160,259,020** |

| | **2020** | | | |
|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Cash & Cash equivalents | 13,786,752 | - | - | 13,786,752 |
| Investment Securities | 85,320,640 | - | - | 85,320,640 |
| Investment other than Securities | 83,323 | - | - | 83,323 |
| Loans & Advances to Customers | 41,517,767 | 529,409 | 3,549,230 | 45,596,406 |
| Other assets ( less Prepayments) | 1,007,841 | - | - | 1,007,841 |
| Gross carrying amount | 141,716,323 | 529,409 | 3,549,230 | 145,794,962 |
| Loss allowances | (490,227) | (372,588) | (2,272,769) | (3,135,584) |
| Carrying amount | **141,226,096** | **156,821** | **1,276,461** | **142,659,378** |

**Collaterals and other credit enhancements**

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is a common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

I. Mortgages over residential properties.
II. Charges over business / personal assets such as premises, Vehicle.
III. Charges over financial instruments such as debt securities and equities

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities or individuals are generally secured, revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant loans and advances.

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

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

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

| | Loans and advances to customers | |
|---|---|---|
| | **2021** | **2020** |
| **Carrying amount** | | |
| Concentration by product: | | |
| Term loans | 35,477,702 | 29,802,220 |
| Overdraft | 13,298,659 | 10,995,982 |
| Staff loans | 5,981,043 | 4,798,204 |
| Jopos Farmer's Loans | 333,450 | 333,450 |
| **Gross loans and advances** | **55,090,854** | **45,929,856** |
| Less: Impairment | (3,407,775) | (3,025,574) |
| Unearned Interest(Jopes Farmers Loans) | (110,010) | (110,010) |
| Net loans and advances | **51,573,069** | **42,794,272** |
| | | |
| **Concentration by industry:** | | |
| **Agricultural** | 2,410,343 | 1,331,882 |
| **Trading** | 15,724,435 | 14,123,745 |
| **Cottage** | 3,422,594 | 1,546,656 |
| **Transport** | 1,841,119 | 1,993,168 |
| **Others** | 31,358,913 | 26,600,955 |
| **Jopos Farmer's Loans** | 333,450 | 333,450 |
| **Gross loans and advances** | **55,090,854** | **45,929,856** |
| Less: Impairment | (3,407,775) | (3,025,574) |
| Unearned Interest(Jopes Farmers Loans) | (110,010) | (110,010) |
| **Net loans and advances** | **51,573,069** | **42,794,272** |

### Key ratios on loans and advances

i. Loan loss provision is 6.39% (2020 : 6.83%)
ii. Gross non-performing loans and advances is 6.54% (2020 ; 7.73%)

## 3.24 Liquidity Risk

'Liquidity risk' is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset when they fall due.

The Bank maintains liquidity limit imposed by its regulator, Bank of Ghana and the overall liquidity has always been within the regulatory limit of Bank of Ghana. Treasury monitors compliance of all branches to ensure that the Bank maintains optimum liquid assets. The Bank aims to be in a position to meet all obligations, repay depositors, fulfil commitments to lend and meet any other commitments.

Treasury unit receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury unit then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports on the liquidity position of the Bank is submitted to senior management and summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO on monthly basis.

## 3.25 CAPITAL

### a. The Objectives of Capital Management

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

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

### b. Regulatory capital

The Bank's regulator, the Bank of Ghana sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements, the Bank of Ghana requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed as follows:
Tier 1 capital, also referred to as core/primary capital is made up of equity and disclosed reserves. Equity includes issued and fully paid ordinary share capital and perpetual non-cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after tax retained earnings/surplus, retained profits and general statutory reserves and does not include regulatory credit risk reserve.

### c. The Level of Capital Adequacy

| | 2021 | 2020 |
|---|---|---|
| | Gh¢ | Gh¢ |
| Paid Capital | 3,671,040 | 3,276,267 |
| Disclosed Reserves | 15,835,518 | 13,487,841 |
| Permanent Preference Shares | | - |
| Sub-Total | 19,506,558 | 16,764,108 |
| Investments in the capital of other Banks | (83,323) | (83,323) |
| Tier 1 Capital | 19,423,235 | 16,680,785 |
| Tier 2 Capital | | - |
| **Regulatory Capital** | 19,423,235 | 16,680,785 |
| Required Regulatory Capital | 9,145,765 | 8,668,013 |
| **Surplus Capital** | **10,277,470** | **8,012,772** |

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

The Bank complied with the statutory capital requirements throughout the period. There have been no material changes in the Bank's management of capital during this period.

| | | 2021 | 2020 |
|---|---|---|---|
| **4** | **INTEREST INCOME** | | |
| | | GH¢ | GH¢ |
| | Advances | 14,036,588 | 12,511,080 |
| | Investments | 11,873,935 | 7,879,091 |
| | | **25,910,523** | **20,390,171** |
| **5** | **INTEREST EXPENSE** | | |
| | Interest Paid on Savings | 1,396,037 | 1,137,339 |
| | Interest Paid on Fixed Deposit | 1,993,630 | 1,643,292 |
| | Interest on Borrowngs | 135,111 | 190,715 |
| | | **3,524,778** | **2,971,346** |
| **6** | **FEES AND COMMISSION INCOME** | | |
| | Commission on money transfer | | 301 |
| | Commitment Fees | 1,528,026 | 1,145,740 |
| | Commissions Received | 144,865 | 155,547 |
| | Cheque for Clearing | 59,310 | 49,337 |
| | | **1,732,201** | **1,350,925** |
| **7** | **OTHER OPERATING INCOME** | | |
| | Sundry Income | 223,855 | 189,308 |
| | Procceds from Disposal | | 14,000 |
| | Service charge | 696,208 | 679,606 |
| | Income on Western Union & Others | 11,277 | 9,774 |
| | | **931,340** | **892,688** |
| **8** | **PERSONNEL EXPENSES** | | |
| | Salaries, Wages and Allowances | 7,784,629 | 6,199,196 |
| | Social Security Contribution | 838,365 | 686,661 |
| | Provident Fund Contribution | 703,112 | 580,370 |
| | Staff Bonus | 1,020,889 | 858,822 |
| | Other Staff Cost | 205,290 | 148,071 |
| | Medical | 58,966 | 21,694 |
| | Staff Training Expenses | 445,717 | 34,321 |
| | | **11,056,968** | **8,529,136** |

**OPERATING EXPENSES**

| | 2021 | 2020 |
|---|---|---|
| | GH¢ | GH¢ |
| Directors Remuneration | 55,500 | 60,000 |
| Audit Fee & VAT | 57,755 | 57,267 |
| Office Expenses | 141,022 | 105,558 |
| Directors Travelling & Transport | 250,913 | 238,875 |
| Directors Training Expense | 9,400 | - |
| Development Fund | 30,453 | 28,066 |
| Recovery Expenses | 47,398 | 45,898 |
| Charges Account Publication | 148,685 | 164,554 |
| Research and Development | 33,274 | 21,268 |
| Board Meeting Expenses | 212,813 | 242,625 |
| Police Guard | 97,112 | 63,240 |
| Corporate Social Responsibilities | 176,023 | 45,861 |
| Travelling Expenses | 2,416,781 | 2,040,325 |
| Audit Expenses | 3,730 | - |
| Legal Expenses | 36,204 | 68,404 |
| Printing and Stationery | 228,052 | 209,012 |
| Repairs and Maintenance | 197,286 | 125,600 |
| Operating Licence | 34,950 | 31,100 |
| Postages and Telecommunication | 31,473 | 46,512 |
| Insurance | 228,964 | 175,619 |
| Electricity and Water | 648,316 | 547,944 |
| Motor Vehicle Exp. | 236,384 | 168,625 |
| Share Mobilization Expenses | 600 | 3,350 |
| Charges on Cheque Clearing | 51,989 | 29,808 |
| Security Expenses | 410,665 | 393,091 |
| Covid-19 Expenses | 500 | 31,064 |
| Entertainment | 175,716 | 176,522 |
| E-zwich Expenses | 7,250 | 2,710 |
| Staff Food Subsidy | 218,482 | 215,220 |
| Deposit Insurance Expenses | 359,266 | 276,134 |
| Specie Movement | 33,920 | 29,540 |
| Subscriptions/Periodicals | 86,944 | 39,331 |
| Computer Expenses | 567,309 | 596,755 |
| Witholding Tax-(Tax Audit Liability) | 179,643 | - |
| Cleaning & Sanitation | 162,365 | 117,750 |
| Bank Charges | 75,719 | 47,544 |
| Shortage in Till | 200 | - |
| AGM Expenses | 106,156 | - |
| Susu Expenses | 498,118 | 362,781 |
| | **8,257,330** | **6,807,953** |

## 10 EARNINGS PER SHARE

**Basic and diluted earnings per share**

The calculation of basic and diluted earnings per share at 31 December 2021 was based on the profit/(Loss) attributable to ordinary shareholders of GH¢2,459,364 (2020: GH¢1,739,176) and a weighted average number of ordinary shares outstanding of 14,364,498 (2020: 13,574,952) calculated as follows:

| | | |
|---|---|---|
| Net profit for the year attributable to equity holders of the Bank | 2,459,365 | 1,739,176 |
| Weighted average number of ordinary shares | 14,364,498 | 13,574,952 |
| Basic and diluted earnings per share | **0.17** | **0.13** |

## 11 CASH AND BANK BALANCES

| | **2021** | **2020** |
|---|---|---|
| | **GH¢** | **GH¢** |
| Cash - In - Hand | 5,507,077 | 5,177,989 |
| APEX - 5% Deposit Account | 7,359,625 | 6,223,045 |
| APEX Clearing Account | 1,376,943 | 1,405,194 |
| CAL Bank | 3,615,560 | 349,168 |
| CGB | 3,227 | 1,099 |
| MTN | 531,955 | 630,257 |
| | **18,394,387** | **13,786,752** |

## 12 GOVERNMENT SECURITIES

These are made up of :

| | | |
|---|---|---|
| Government Securities | 53,762,482 | 22,886,801 |
| Money Placements with Discounted House | 35,551,126 | 55,557,504 |
| ACOD-CAL Bank | 63,643 | 6,876,335 |
| | **89,377,251** | **85,320,640** |

## 13 LOANS AND ADVANCES

| | | |
|---|---|---|
| Term loans | 40,649,815 | 34,600,424 |
| Overdraft | 14,107,589 | 10,995,982 |
| | 54,757,404 | 45,596,406 |
| Jopos farmer's loans | 333,450 | 333,450 |
| **Less: Impairment Charges** | (3,407,775) | (3,025,574) |
| **Unearned Interest(Jopes Farmers Loans)** | (110,010) | (110,010) |
| | **51,573,069** | **42,794,272** |

| | | 2021 | 2020 |
|---|---|---|---|
| **(b)** | **Analysis by Business Segment** | **GH¢** | **GH¢** |
| | Agriculture | 2,410,343 | 1,331,882 |
| | Cottage Industries | 15,724,435 | 1,546,656 |
| | Transport | 3,422,594 | 1,993,168 |
| | Trading | 1,841,119 | 14,123,745 |
| | Others (Workers) | 31,358,913 | 26,600,955 |
| | Jopos farmer's loans | 333,450 | 333,450 |
| | | **55,090,854** | **45,929,856** |
| | Less:Loans Impairment Charge | (3,407,775) | (3,025,574) |
| | Unearned Interest(Jopes Farmers Loans) | (110,010) | (110,010) |
| | | **51,573,069** | **42,794,272** |
| | **Analysis by Type of Customer** | | |
| | Individuals | 45,782,095 | 38,792,356 |
| | Private Enterprise | 9,305,069 | 7,133,438 |
| | Others | 3,690 | 4,030 |
| | | **55,090,854** | **45,929,824** |
| | Less:Loans Impairment Charge | (3,407,775) | (3,025,574) |
| | Unearned Interest (Jopes Farmers Loans) | (110,010) | (110,010) |
| | | **51,573,069** | **42,794,240** |
| **(c)** | **IFRS Impairment for Loans & Advances** | | |
| | Balance at 1 January | 3,135,584 | 2,766,611 |
| | IFRS 9 Impact | | - |
| | Loan Impairment Charge | 382,201 | 368,973 |
| | **Balance at 31 December** | **3,517,785** | **3,135,584** |
| | **Bank of Ghana Provisions** | | |
| | Balance at 1 January | 3,443,105 | 3,112,343 |
| | Loan Impairment Charge | 318,480 | 330,762 |
| | **Balance at 31 December** | **3,761,585** | **3,443,105** |

Loan provisioning/impairment are carried out in accordance with Bank of Ghana Policy as well as the principles of IFRS. Loan impairment losses calculated based on IFRS principles are passed through the statement of comprehensive income. Where provisions per IFRS is more than provisions per Bank of Ghana guidelines, no regulatory credit reserve is required.

When the credit loss provision calculated under IFRS principles is less than what is required under the Bank of Ghana, transfers are made from the income surplus account into the non-distributable regulatory credit reserves.

| | **2021** | **2020** |
|---|---|---|
| **Credit Risk Reserves** | 307,521 | 345,732 |
| Balance at 1 Jan | (63,721) | (38,211) |
| Transfer to credit risk reserve | 243,800 | 307,521 |

## 14 INVESTMENT SECURITY

| | 2021 | 2020 |
|---|---|---|
| AGC Ltd | 99 | 99 |
| Shares in ARB APEX Bank Ltd | 83,224 | 83,224 |
| | **83,323** | **83,323** |

This represents investment in the ordinary shares of ARB Apex bank limited and AGC Limited.

## 15 OTHER ASSETS ACCOUNT

| | | |
|---|---|---|
| Inter Agency | 141,243 | 188,556 |
| Stationary Stock | 456,610 | 479,737 |
| Insurance Prepaid | 80,964 | 97,188 |
| Office Account(Dr) | 485,623 | 242,360 |
| | **1,164,440** | **1,007,841** |

## 16 (a) INCOME TAX EXPENSE

| | | |
|---|---|---|
| Current Income Tax | 1,314,107 | 733,335 |
| Deferred Income Tax | (37,982) | 106,014 |
| | **1,276,125** | **839,349** |

Deferred tax expense relates to the origination and reversals of temporary differences.

### (b) CURRENT TAXATION

| Year of Assessment | Balance at 01/01/2021 | Payments GH¢ | Charge for the year GH¢ | Over /(Under) Provision GH¢ | Balance at 31/12/2021 GH¢ |
|---|---|---|---|---|---|
| 2021 | (198,016) | (1,017,118) | 1,087,908 | 226,200 | 98973 |
| | **(198,016)** | **(1,017,118)** | **1,087,908** | **226,200** | **98973** |

All tax liabilities are subject to the agreement with the Ghana Revenue Authority.

### (c) RECONCILIATION OF EFFECTIVE TAX RATE

| | |
|---|---|
| Profit before tax | 3,735,490 |
| Tax at applicable tax rate at 25% | 933,873 |
| Tax impact of non-deductible expenses | 544,785 |
| Tax impact of capital allowances | -390,750 |
| Recognition of previously unrecognized tax losses | 226,200 |
| Deferred tax | -37,982 |
| Current tax charges | **1,276,125** |
| | |
| Effective tax rate (%) | **34%** |

## 17 (a) DEFERRED TAXATION

| 2021 | Bal. at 1/1 | Movement | Bal. at 31/12 |
|---|---|---|---|
| Charge / (Credit) to Income Statement | | | |
| Historical Cost- NCA | 301,379 | 57,568 | 358,947 |
| Loan Impairment | (756,394) | (95,550) | (851,944) |
| | **(455,015)** | **(37,982)** | **(492,997)** |
| Charge / (Credit) to Equity | | | |
| Revaluation - NCA | 53,004 | -1,019 | 51,985 |
| | **53,004** | **-1,019** | **51,985** |

Deferred tax expense relates to the origination and reversals of temporary differences.
There was no computation and recognition in previous years in relation to equity.

**(b) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES**

Deferred tax assets and liabilities are attributes to the following :

| | Temporary Difference GH¢ | Tax Rate GH¢ | Deferred Tax GH¢ |
|---|---|---|---|
| Deferred Tax Asset - Loan Impairment | (3,407,775) | 25% | (851,944) |
| Deferred Tax Liabilities - NCA | 1,643,729 | 25% | 410,932 |
| **Net deferred Tax (Assets)/Liabilities** | **(1,764,046)** | | **(441,012)** |

## 18 INTANGIBLE ASSETS

| | PURCHASED SOFTWARE |
|---|---|
| COST | ¢H |
| Balance at 1 January 2021 | 517,718 |
| Acquisitions | 20,984 |
| Balance at 31 December 2021 | **538,702** |
| | |
| **ACCUMULATED AMORTISATION** | |
| Balance at 1 January 2021 | **148,660** |
| Amortisation for the year | 99,120 |
| Balance at 31 December 2021 | **247,780** |
| | |
| **NET BOOK VALUE** | |
| AT 31 DECEMBER,2021 | **290,922** |

The intangible asset relates to purchased software called Share Manager Shareholder App from EBITS and implementation started in 2018.

**19 PROPERTY, PLANT AND EQUIPMENT**

**a COST / VALUATION**

| | Land | Head Office Buiding | Right of use assets | Office Equipment | Office Furniture & Fitting | Motor Vehicle | Computers & Accessories | Plant & Equipment | CIWP | Building Renovation | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Balance at 1/1/2021 | 391,239 | 2,879,837 | 3,206,386 | 1,943,258 | 318,417 | 1,451,589 | 750,233 | 316,656 | - | 2,532,687 | 13,790,301 |
| Additions | | 26,741 | 808,199 | 800,755 | 55,687 | 289,575 | 116,745 | - | 6,000 | 59,919 | 2,163,621 |
| Write off | - | - | - | - | - | - | - | - | - | (385,482) | (385,482) |
| Balance at 31/12/2021 | **391,239** | **2,906,578** | **4,014,585** | **2,744,013** | **374,104** | **1,741,164** | **866,978** | **316,656** | **6,000** | **2,207,124** | **15,568,440** |
| **DEPRECIATION** | | | | | | | | | | | |
| Balance at 1/1/2021 | - | 628,674 | 534,562 | 548,340 | 197,341 | 921,195 | 322,769 | 141,658 | - | 1,500,654 | 4,795,193 |
| Charge for the year | - | 157,277 | 314,591 | 264,282 | 45,418 | 223,557 | 159,896 | 31,928 | - | 321,228 | 1,518,177 |
| Write off/ Transfer | | | | | | | | | | (385,482) | (385,482) |
| Balance at 31/12/2021 | **-** | **785,951** | **849,153** | **812,622** | **242,759** | **1,144,752** | **482,665** | **173,586** | **-** | **1,436,400** | **5,927,888** |
| **CARRYING AMOUNT AT 31 DECEMBER, 2021** | **391,239** | **2,120,627** | **3,165,432** | **1,931,391** | **131,345** | **596,412** | **384,313** | **143,070** | **6,000** | **770,724** | **9,640,552** |

**b COST / VALUATION**

| | Land | Head Office Buiding | Right of use assets | Office Equipment | Office Furniture & Fitting | Motor Vehicle | Computers & Accessories | Plant & Equipment | CIWP | Building Renovation | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Balance at 1/1/2020 | 391,239 | 2,847,192 | 2,678,585.00 | 1,299,271 | 295,548 | 1,155,192 | 680,553 | 316,656 | 362,148 | 1,966,447 | 11,992,830 |
| Additions | | 32,645 | 527,801 | 643,987 | 22,869 | 330,552 | 69,680 | - | 182,072 | 41,071 | 1,850,677 |
| Disposal | - | - | - | - | - | (34,155) | - | - | - | - | -34,155 |
| Transfer | - | - | - | - | - | - | - | - | (544,220) | 544,220 | - |
| Write off | - | - | - | - | - | - | - | - | - | (19,051) | -19,051 |
| Balance at 31/12/2020 | **391,239** | **2,879,837** | **3,206,386** | **1,943,258** | **318,417** | **1,451,589** | **750,233** | **316,656** | **-** | **2,532,687** | **13,790,301** |
| **DEPRECIATION** | | | | | | | | | | | |
| Balance at 1/1/2020 | - | 487,363 | 229,831 | 337,417 | 152,142 | 815,342 | 238,069 | 141,658 | - | 1,167,846 | 3,569,668 |
| Charge for the year | - | 141,311 | 304,731 | 210,923 | 45,199 | 140,008 | 84,700 | - | - | 351,859 | 1,278,731 |
| Disposal | - | - | - | - | - | (34,155) | - | - | - | - | (34,155) |
| Write off/ Transfer | - | - | - | - | - | - | - | | | (19,051) | (19,051) |
| Balance at 31/12/2020 | **-** | **628,674** | **534,562** | **548,340** | **197,341** | **921,195** | **322,769** | **141,658** | **-** | **1,500,654** | **4,795,193** |
| **CARRYING AMOUNT AT 31 DECEMBER, 2020** | **391,239** | **2,251,163** | **2,671,824** | **1,394,918** | **121,076** | **530,394** | **427,464** | **174,998** | **-** | **1,032,033** | **8,995,108** |

**c** Profit on disposal of motor Vehicle has been arrived at as follows:

| | 2021 | 2020 |
|---|---|---|
| | GH | GH |
| Cost | - | 34,155 |
| Accumulated Depreciation | - | 34,155 |
| Net Book Value | - | - |
| Disposal Proceeds | - | 14,000 |
| Profit on Disposals | **-** | **14,000** |

## 20 DEPOSITS FROM CUSTOMERS

**(a) Analysis by Types of Deposits**

| | 2021 | 2020 |
|---|---|---|
| Savings Account | 60,443,234 | 55,464,349 |
| Current Account | 29,475,433 | 25,745,235 |
| Fixed Deposit | 23,506,210 | 19,662,222 |
| Susu/Micro Finance | 32,935,461 | 30,377,360 |
| Daakye Nti | 1,113,569 | 755,081 |
| | **147,473,907** | **132,004,247** |

**(b) Analysis by Type of Customer**

| | 2021 | 2020 |
|---|---|---|
| Individuals | 128,240,000 | 99,500,072 |
| Other Private Enterprise | 19,184,713 | 21,383,631 |
| Public Enterprise | 49,194 | 11,120,544 |
| | **147,473,907** | **132,004,247** |

## 21 CREDITORS AND ACCRUALS

| | 2021 | 2020 |
|---|---|---|
| Accrued Audit fees | 57,755 | 57,267 |
| Bills Payable | - | 82,853 |
| Office Account | 1,578,925 | 1,718,443 |
| Accrued Interest not paid -FD | 238,882 | 229,900 |
| Legal Fees | - | 24,000 |
| Tax Audit Liability | 83,987 | - |
| Provident Fund | 95,587 | 73,131 |
| | **2,055,136** | **2,185,594** |

## 22 LOANS FROM OTHER FINANCIAL INSTITUTION

| | 2021 | 2020 |
|---|---|---|
| MOWAC | 6,000 | 6,000 |
| Dalex Financial & Leasing | 461,629 | 374,059 |
| Agric Diversification | 118,010 | 118,010 |
| APEX | 478,897 | 728,905 |
| | **1,064,536** | **1,226,974** |

## 23 COMMUNITY DEVELOPMENT FUND

This fund supports development activities in the communities that the Bank operates.

**24 STAFF PENSION FUND**

| | | |
|---|---|---|
| Balance 1st January | 256,196 | 649,385 |
| Current service cost | 600,000 | - |
| Interest Received | 8,049 | 9,210 |
| Amount Utilised | -98,399 | -402,399 |
| Balance 31 December | **765,846** | **256,196** |

**25 STATED CAPITAL**

| | No. of Shares 2021 | No. of Shares 2020 | Proceeds 2021 | Proceeds 2020 |
|---|---|---|---|---|
| **Authorised Shares:** | | | | |
| Ordinary Shares of no par Value | **20,000,000** | **20,000,000** | **GH¢** | **GH¢** |
| **Issued Shares** | | | | |
| Ordinary Shares of no par Value | 14,364,498 | 13,574,952 | 3,671,040 | 3,276,267 |
| | **14,364,498** | **13,574,952** | **3,671,040** | **3,276,267** |

All ordinary shares rank equal with regard to the Company's residual assets. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the bank.

**Stated capital and reserves**
**Stated Capital**
The bank classifies capital and equity instruments in accordance with the contractual terms of the instrument. Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.
Dividends on ordinary shares are recognized in the period in which they are approved by the shareholders. Dividend proposed which is yet to be approved by shareholders, is disclosed by way of notes. There is no share in Treasury and no call or instalment unpaid on any share.

26 **RETAINED EARNINGS**
This represents the residual of cumulative annual profits that are available for distribution to shareholders

27 **STATUTORY RESERVES**

Statutory reserves are based on the requirements of section 34 of the banks and Specialised Deposits-Taking Institutions Act (ACT 930).Transfers into statutory reserves are made in accordance with the relationship between the Bank's Reserve fund and it's paid up capital, which determines the proportion
(i) Where the reserve fund is less than fifty percent of the stated capital then an amount not less than 50% of net profit for the year is transferred to the reserve fund.
(ii) Where the reserve fund is more than 50% but less than 100% of the stated capital, then an amount not less than 25% of net profit is transferred to the reserve fund.
(iii) Where the reserve is equal to 100% of the stated capital, then an amount not less than 12.5% of the net profit for the year is transferred to the reserve fund.

28 **REGULATORY CREDIT RISK RESERVE**

To cater for any difference 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 Income Surplus in respect of the difference required to bring up the cumulative provision to the level required under the Bank of Ghana regulations. Under current regulations, the Credit Risk Reserve does not qualify as Tier 1 Capital for the computation of Capital Adequacy.

29 **REVALUATION RESERVES**

This refers to the effects from the fair value measurement after deduction of deferred taxes on unrealised surplus/gains on non financial assets. These unrealised gains or losses are not recognised in profit or loss until the asset has been sold/matured or impaired. Deferred tax on revaluation of the Bank's leasehold land and buildings is recognised directly in Other Comprehensive Income (OCI).

30 **CAPITAL SURPLUS**

This represents marked to market unrealised gains/loss on investment securities - available for sale.

31 **RELATED PARTY TRANSACTIONS**

Advances due from Directors and Staff of the bank amounted to GHS 6,204,508; (2020 - GHS 4,898,843) Detail is as follows:

| | 2021 | 2020 |
|---|---|---|
| Directors | 223,465 | 100,639 |
| Officers and Employees | 5,981,043 | 4,798,204 |
| | **6,204,508** | **4,898,843** |

# VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER

| | NOTES | 2021 | 2020 |
|---|---|---|---|
| Interest earned and other operating income | | 27,642,724 | 21,741,096 |
| Direct cost of services and other costs | | (13,001,267) | (9,536,440) |
| Value added by banking services | | 14,641,457 | 12,204,656 |
| Non-banking income | | 931,340 | 892,688 |
| Impairments | | (382,201) | (368,973) |
| **Value added** | | **15,190,596** | **12,728,371** |
| Distributed as follows: | | | |
| **To employees** | | | |
| Directors | | (306,413) | (298,875) |
| Other Employees | | (9,531,396) | (8,473,120) |
| | | **(9,837,809)** | **(8,771,995)** |
| To Government | | | |
| Income Tax | | **(1,276,125)** | **(839,349)** |
| **To providers of capital** | | | |
| Dividends to shareholders | | - | - |
| **To expansion and growth** | | | |
| Depreciation and amortisation | | **(1,617,297)** | **(1,377,851)** |
| **To retained earnings** | | **2,459,365** | **1,739,176** |

# TAX COMPUTATION
## YEAR OF ASSESSEMENT2021

| | | | GH¢ |
|---|---|---|---|
| Profit before tax | | | 3,735,490 |
| **Add Back:** | Depreciation & Amortisation | | 1,617,297 |
| | Impairment Charge | | 382,201 |
| | Witholding Tax Audit | | 179,643 |
| | Adjusted Profit | | 5,914,631 |
| **Less:** | Capital Allowances | | -1,563,000 |
| | Chargeable Income | | 4,351,631 |
| | **Tax thereon @** | 25% | **1,087,908** |

This is subject to agreement by the Ghana Revenue Authorities.

# CAPITAL ALLOWANCE COMPUTATION

## YEAR OF ASSESSMENT, 2021

## BASIS: 1/1/20201-31/2021

| ASSETS CLASS | W.D.V. B/F | ADDITIONS | REALISATION | TOTAL | RATE | DEPRN. | W.D.V. C/F |
|---|---|---|---|---|---|---|---|
| CLASS 1 POOL | 237,356 | 116,745 | - | 354,101 | 40% | 141,640 | 212,460 |
| CLASS 2 POOL | 104,891 | 75,000 | - | 179,891 | 30% | 53,967 | 125,923 |
| CLASS 3 POOL | 1,566,085 | 856,442 | - | 2,422,527 | 20% | 484,505 | 1,938,022 |
| | 1,908,332 | 1,048,187 | - | 2,956,519 | | **680,113** | 2,276,406 |

| ASSETS CLASS | W.D.V. B/F | ADDITIONS | TOTAL | RATE | DEPRN. | W.D.V. C/F |
|---|---|---|---|---|---|---|
| CLASS 5 POOL | 15,037 | - | 15,037 | 10% | 15,037 | |
| CLASS 5 POOL | 393,580 | - | 393,580 | 10% | 30,275 | 363,305 |
| CLASS 5 POOL | 6,381 | - | 6,381 | 10% | 1,595 | 4,786 |
| CLASS 5 POOL | 40,915 | - | 40,915 | 10% | 8,183 | 32,732 |
| CLASS 5 POOL | 1,217,595 | - | 1,217,595 | 10% | 243,519 | 974,076 |
| CLASS 5 POOL | 19,914 | - | 19,914 | 10% | 3,319 | 16,595 |
| CLASS 5 POOL | 53,663 | - | 53,663 | 10% | 8,944 | 44,719 |
| CLASS 5 POOL | 42,749 | - | 42,749 | 10% | 7,125 | 35,624 |
| CLASS 5 POOL | 107,012 | - | 107,012 | 10% | 15,287 | 91,724 |
| CLASS 5 POOL | 104,249 | - | 104,249 | 10% | 14,893 | 89,356 |
| CLASS 5 POOL | 28,616 | - | 28,616 | 10% | 3,577 | 25,039 |
| CLASS 5 POOL | 539,050 | - | 539,050 | 10% | 67,381 | 471,668 |
| CLASS 5 POOL | 2,142,868 | - | 2,142,868 | 10% | 267,859 | 1,875,010 |
| CLASS 5 POOL | 526,762 | - | 526,762 | 10% | 58,529 | 468,233 |
| CLASS 5 POOL | - | 26,741 | 26,741 | 10% | 2,674 | 24,067 |
| CLASS 5 POOL | - | 808,199 | 808,199 | 10% | 80,820 | 727,379 |
| | **5,238,390** | **834,940** | **6,073,330** | | **829,017** | **5,244,312** |

| ASSETS CLASS | W.D.V. B/F | ADDITIONS | TOTAL | RATE | DEPRN. | W.D.V. C/F |
|---|---|---|---|---|---|---|
| CLASS 4 POOL | 408,674 | 20,984 | 429,658 | 10% | 53,870 | 375,788 |
| | **408,674** | **20,984** | **429,658** | | **53,870** | 375,788 |

**SUMMARY**

| | |
|---|---|
| Reducing Balance | 680,113 |
| Straight Line | 882,887 |
| | **1,563,000** |