PROXY AUTHORIZATION FORM

I/We ____
of

____ Being a Shareholder(s) of hereby appoint

____
on

____ at the Annual General Meeting of the Bank to

be held on the 28th November. 2020 via virtual meeting on zoom and at any adjournment thereon.

Signed on the _________________________ day of _________________________ 2020

____
(Shareholder's Signature)

NOTE:
Completed Proxy form should reach the Secretary, Suma Rural Bank Ltd., not less than Forty-eight (48) hours to the time of the meeting.

Suma Rural Bank
Excellence in customer care

2019 REPORT AND FINANCIAL STATEMENTS

John Allotey & Associates
(Chartered Accounts)
P. O. Box 414,
SSNIT House Complex, Sunyani.
Mob: 020 901 2602
robertalloty@yahoo.com

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THE YEAR AT A GLANCE

Major Income Statement Items	2019 GH¢	2018 GH¢	% Change
Gross Earnings	4,104,177	4,666,523	(12.05)
Interest Expenses	813,932	829,068	(1.83)
Overhead Expenses	3,482,862	3,521,212	(1.09)
Loan Impairment Charge	294,825	50,748	480.96
Profit before Taxation	(487,442)	265,495	(283.60)
Profit after Taxation	(560,592)	203,009	(376.15)
Major Statement of Financial Position Items			
Total Assets	22,418,777	19,323,332	16.02
Deposit Liabilities	18,414,781	16,525,299	11.44
Loans and Advances	6,605,339	6,718,066	(1.68)
Borrowings	1,888,856	161,089	1,072.56
Shareholders' Funds	1,675,813	2,291,808	(26.88)
Per Share Data			
Earnings Per Share	(0.23)	(0.10)	162.50
Total Assets Per Share	8.94	8.96	(0.23)
Shares Issued to date	2,507,499	2,158,102	16.19
Dividend Per Share	-	-	-
Net Assets Per Share	0.67	1.07	(37.39)

NOTICE OF
VIRTUAL ANNUAL GENERAL MEETING

Notice is hereby given that the **34th ANNUAL GENERAL MEETING (AGM)** of shareholders of **SUMA RURAL BANK LIMITED** will be held virtually on **Saturday, 28th November, 2020** to transact business of Annual General Meeting at 10:00 a.m. prompt.

The above decision was taken by the Board of Directors of the Bank due to the Covid-19 challenges and its attended protocol directives by health professionals and the government.

AGENDA

1. To read the Notice convening the meeting.
2. To confirm the minutes of the 33 rd Annual General Meeting.
3. To receive and consider the Chairman's report.
4. To receive and consider the Report of the Directors and Accounts for the year ended 31 st December, 2019 and the Auditors' report.
5. To authorize the Directors to fix Auditors remuneration.
6. To fix the remunerations of Directors.
7. To elect Directors in place of those retiring by rotation.
8. To transact any other business appropriate to be dealt with at an Annual General Meeting.

BY ORDER OF THE BOARD
SGD.
MOSES KOFI SOGA
(SECRETARY TO THE BOARD)

Dated: 9th October, 2020

NOTE:
A form of proxy shall be deposited at the bank's website (www.sumaruralbank.com) and members can access them through online and submit completed proxy form through the bank's e-mail address (agm@sumaruralbank.com) not less than forty-eight (48) hours prior to the meeting time.

Zoom link to join the meeting shall be made available on the bank's website and all the agencies of the bank and not less than forty-eight (48) hours prior to the meeting time for members to access.

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BOARD OF DIRECTORS, MANAGEMENT AND REGISTERED OFFICE

DIRECTORS:	KOFI WIREDU SASAH	Chairman
	VIVIAN MFOWAA GYAN	Vice - Chairman
	MOSES KOFI SOGA	Secretary
	EMMANUEL KWESI BABA	Member
	SAANA NYARKO-DABIE	Member
	KWASI AFRAM	Member
	WILLIAM ABAYATEYE	Member

MANAGEMENT TEAM:

GENERAL MANAGER:	ADJEI-AMPONSAH MARTIN
OPERATIONS MANAGER:	KUMA JOSEPH
ACCOUNTANT:	ABABIO RICHARD
HEAD OF AUDIT:	AMOH KWADWO
CREDIT MANAGER:	AMANKONA DENNIS

REGISTERED OFFICE:	**SUMA RURAL BANK LIMITED** **P. O. BOX 13** **SUMA AHENKRO - BONO REGION**
AUDITORS:	**MESSRS JOHN ALLOTEY & ASSOCIATES** **[CHARTERED ACCOUNTANTS]** **SSNIT HOUSE** **TEL:(03520) 23505** **P. O. BOX 414** **SUNYANI**

WELCOME ADDRESS

WELCOME ADDRESS BY MR. K. WIREDU SASAH, BOARD CHAIRMAN ON THE OCCASION OF 34TH ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THE BANK HELD VIRTUALLY ON ZOOM ON SATURDAY, 28TH NOVEMBER, 2020

- Fellow Shareholders,
- Officials of Rural Banking Fraternity,
- Invited Guest,
- Nananom,
- Heads of Department,
- Ministers of God,
- Ladies & Gentlemen
- All protocol observed,

In the state of mix feelings of joy and sadness, I welcome you all to this important meeting of ours. I am in the state of joy, because of the new technology that has made it possible for us to organize this meeting virtually without meeting face-toface. My sadness is as a result of our inability to come together face-to-face as we have always done over the last three decades or so during which we had a chat among ourselves and exchanged pleasantries. Fellow shareholders, this meeting is being held virtually due to the prevalence of the COVID-19 pandemic and its attendant protocols which we are enjoined to observe pursuant to The Imposition of Restrictions Act, 2020 (Act 1012). Although the number of persons who can attend conferences, workshops and other events has been lifted, the President in his Update #18 admonishes us to strictly adhere to the COVID-19 protocols despite the lifting of the ban the number of persons who can attend conferences, workshops and award events.

However the good book, the Bible says, we should always give thanks to God in everything so whatever has transpired as far as the COVID-19 pandemic is concerned, we should give thanks to the most High God for our lives and that of Suma Rural Bank Limited.

- **Operating Environment During the Year Under Review:**

Dear Shareholders, the year under review was one of the most difficult years that your Bank has ever faced. Economic policies embarked by the government to ensure there was sanctity in the financial system of the country ended up putting untold hardship on the financial institutions including our own, Suma Rural Bank.

As all of us may be aware, the financial sector clean-up exercise carried out by the Bank of Ghana led to, the collapse of 9 universal banks, 347 Micro Finance Companies, 23 Savings & Loans Companies, 50 Finance Houses and Fund Management institutions.

The above development induced panic withdrawal by depositors from banks for the fear that they might lose their deposits.

Ladies and gentleman, the good monetary policies or interventions by the Bank of Ghana such as 16% prime rate, 11% inflation rate, 13% 91 Day Treasury Bills discount and the cedi stability against international currencies such as the Dollar and other major currencies unfortunately did not impact positively on the banking industry at least in the short term.

NOTES

DETAILS OF LARGEST SHAREHOLDERS

No.	Name of Shareholder	Number of shares	Value	%to total Shares
1	LYMIN CREEK LIMITED	234,612	111,572.73	9.65
2	SASAH WIREDU KOFI	54,742	20,546.83	2.25
3	JOHNSON OFORI ASUBONTENG	53,567	19,963.56	2.20
4	UNALLOCATED SHARES	47,299	22,482.37	1.95
5	VIVIAN MFODWAA GYAN	45,602	16,165.05	1.88
6	BABA KWESI EMMANUEL	40,042	12,935.88	1.65
7	NSRAWUDI KWAME NICHOLAS	38,905	12,978.03	1.60
8	NYARKO DABIE S.	38,838	13,001.38	1.60
9	SOGA KOFI MOSES	34,554	11,116.29	1.42
10	ADJEI – AMPONSAH MARTIN	21,940	10,559.59	0.90
11	FRANCIS TWENE YAW	18,621	9,221.29	0.77
12	YIADOM KUSI BOACHIE	17,760	8,435.23	0.73
13	KUMAH JOSEPH	16,933	8,371.22	0.70
14	RICHARD ABABIO	14,270	7,083.16	0.59
15	MARY MFODWAA	14,049	6,976.62	0.58
16	CLEMENT AGYEMANG DONKOR	13,313	6,343.09	0.55
17	YIADOM DIANA	13,269	6,606.28	0.55
18	AMANKONA DENNIS	13,269	6,606.28	0.55
19	ERIC ANSAH ANKOMAH	13,242	6,349.35	0.54
20	NKETIA ABENA STELLA	12,151	6,049.78	0.50

Fellow shareholders, it was against this backdrop that the Bank carried out specific operations and achieved the following key performance Indicators (KPis)

- **Total Deposits:**
  The Bank's total deposits increased from GHS16,525,299 to GHS18,414,781 as compared to the previous year. The above increment represents 11% growth in the Bank's deposit base despite the challenges enumerated above.

  It is the hope of the Board and Management that more deposits will be mobilized as confidence is restored back into the rural banking industry.

- **Loans & Advances:**

  The total loan portfolio of the Bank marginally reduced from GHS6,718,066.00 to GHS6,605,339 representing, 68%. This was as a result of heavy withdrawals made by depositors during the year as explained earlier.

- **Profit or Loss for the year:**

  Fellow Shareholders, we regret to inform you that, for the first time in several years, the Bank could not make any profit as a result of the numerous challenges that the Bank went through. A Loss Before Tax of GHS487,442.00 was recorded during the year. Fellow members of the Bank, despite the unfortunate economic situation we should thank God for making it possible for the Board and management to be able to sustain the Bank during the banking crisis. The worse could have happened. A lot of reasons accounted for this stated loss; reduction in loan portfolio as a result of heavy withdrawals, locked up income from our short term investment, application of “IFRS 9”, requirement on loan impairment just to mention a few. “IFRS impairment is about making provisions to offset outstanding bad loans to enable the Bank clean its books and make strides in the area of profitability.

- **Total Assets of the Bank:**

  The total assets of the Bank grew from GHS19,323,335 in the previous year to GHS22,418,777 during the year under consideration representing a growth of 16 percentage terms.

  This means that, irrespective of the challenges the Bank went through, your Bank is still growing.

- **Share Capital:**

  The Bank's share capital marginally grew from GHS1,112,983 to GHS1,166,742 from the previous year to the accounting year under review.

  I wish to appeal to all of us to continue to invest in the Bank to enable it increase its share capital to meet any future increment in minimum capital requirement by the Bank of Ghana and also, enable the Bank to improve on its Capital Adequacy Ratio (CAR) so that new programmes could be embarked on by the Bank.

- **Future Programmes**
 During the year under review the Bank was able to produce a new strategic plan covering 2019-2023 with the vision, "To be most preferred marketing oriented Rural Bank in our catchment area".

 Targets being pursued in the said strategic plan are, reduction in cost/income ratio, increase in our customer base, expanding e-banking products such as ATM operations to give our customers access to cash at all times 24/7. Others are, staff capacity building on market penetration. With these and other programmes, the Bank will see a steady growth in the years ahead.

- **Directors' Retirement and Elections:**
 Members, we are enjoined by the law that one third (1/3) of the membership of the Board at any Annual General Meeting shall step down and the law allows them to seek re-election.

 In fulfilment of this requirement, the following directors are due to step down but are seeking re-election:

1. Mr. Robert K.Wiredu Sasah
2. Mr. Moses Kofi Soga

- **Corporate Social Responsibility:**

 The Bank continues to support socio-economic activities in her catchment area. During the accounting year, a total amount of GHS14,564 was expended in areas such as education, health and other social activities.

- **Conclusion and Appreciation:**

 I wish to encourage all members of our noble institution to be steadfast as the Bank is in a stable condition, despite the turbulent situation or challenges in the banking industry for some time now. The bank has more prospects ahead and I therefore encourage you to support it with capital injection and patronage.

 I also wish to thank all players in the rural banking industry, especially, the regulators - the Bank of Ghana, ARB Apex Bank and the Association of Rural Banks (ARB), both national and the B/A Chapter. I equally express my gratitude and appreciation to my colleague directors, management and shareholders for their support throughout the year and lastly to the entire staff of the Bank for being able to calm the troubled waters during the difficult times.

May the good Lord bless us all

Long Live Suma Rural Bank Ltd Long Live Ghana.

CAPITAL ALLOWANCES COMPUTATION
YEAR OF ASSESSMENT - 2019
BASIS: 01/01/2018 - 31/12/2019

ASSET'S CLASS	W.D.V. B/F	ADDITIONS	ADJUSTMENT	TOTAL	RATE	DEPRN.	W.D.V. C/F
CLASS 1 POOL	22,985	11,836	-	37,821	40%	15,128	22,693
CLASS 2 POOL	417,345	8,900	(450)	425,795	30%	127,739	298,057
CLASS 3 POOL	165,204	51,444	-	216,648	20%	43,330	173,318
	608,534	**72,180**	**(450)**	**680,264**		**186,197**	**494,068**

ASSET'S CLASS	W.D.V. B/F	ADDITIONS	ADJUSTMENT	TOTAL	RATE	DEPRN.	W.D.V. C/F
CLASS 4 POOL	739,786	-	-	739,786	10%	18,356	165,204
	739,786	**-**	**-**	**739,786**		**18,356**	**165,204**

SUMMARY

Straight Line Method	186,197
Reducing Balance Method	18,356
	204,553

TAX COMPUTATION
YEAR OF ASSESSMENT - 2019

		GH¢
Loss as per Accounts		(487,442)
Add Back:	Depreciation	149,060
	Impairment Credit Loss	294,825
Adjusted Loss		(43,557)
Less:	Capital Allowances	(204,553)
	Unrelieved Losses C/f	(248,110)
	Tax thereon @ 25%	**NIL**

This calculation is subject to agreement by the Ghana Revenue Authorities.

REPORT OF THE DIRECTORS

The Directors in submitting to the shareholders the financial statements of the Bank for the year ended 31 December, 2019 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 views of Suma Rural Bank Limited financial position at 31st December., 2019, 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 Specialized Deposit-Taking Institutions Act, 2016(Act 930). In addition, the directors are responsible for the preparation of this director's report.

The Directors are also responsible for such internal control as the Directors determine it 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, 2019 are set out in the attached financial statements, highlights of which are as follows:

31 December	2019	2018
	GH¢	**GH¢**
Profit/(loss) before taxation is	**(487,442)**	**265,495**
from which is added/ deducted taxation of	**(95,520)**	**(62,486)**
giving profit/(loss) after taxation for the year of	**(582,962)**	**203,009**
less net transfer to statutory reserve fund		
and other reserves of	-	(50,752)
leaving a balance of	(582,962)	152,257
to which is added a balance brought forward on		
retained earnings of	615,722	544,677
less changes on initial application of IFRS 9		
and other reserve of	(25,636)	-
less prior year adjustment of	-	(81,212)
less final dividend paid of	(61,156)	-
leaving a balance of	**(54,032)**	**615,722**

The bank did not realize profit to comply with Section 34(1)(b) of the Bank's and Specialized Deposit - Taking Act, 2016 (Act 930)

REPORT OF THE DIRECTORS

Dividend
The Board of Directors do not recommend any dividend payment based on Bank of Ghana's directive **(NOTICE NO. BG/GOV/SEC/2020/03)** dated 20th April, 2020.

Nature of Business
The Bank is authorized 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.

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 Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

Approval of the Financial Statements
The financial statements of the Bank were approved by the Board of Directors on 25th June 2020 and were signed on their behalf by:

DIRECTOR:

DIRECTOR:

VALUED ADDED STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2019

	2019 GH¢	2018 GH¢
Interest earned and other operating income	4,103,727	4,666,523
Direct cost of services and other costs	(2,263,119)	(2,322,462)
Value added by banking services	1,,840,608	2,344,061
Non-banking income	450	-
Impairments	(294,825)	(50,748)
Value added	**1,546,233**	**2,293,313**
Distributed as follows:		
To employees		
Directors	(69,162)	(69,248)
Other Employees	(1,815,453)	(1,797,097)
	(1,884,615)	**(1,865,345)**
To Government		
Income Tax	**(95,520)**	**(62,486)**
To providers of capital		
Dividends to shareholders	-	-
To expansion and growth		
Depreciation and amortisation	(149,060)	(162,473)
Retained Earnings	**(582,962)**	**203,009**

All Ordinary Shares rank equally with regard to the Bank'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 & RESERVES
STATED CAPITAL

The Bank classifies Capital and Equity Instruments in accordance with the Contractual Terms of the Instruments. 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. Dividends proposed which are yet to be approved by Shareholders are disclosed by a way of recognizable notes.

21 **INCOME SURPLUS**
This represents the Residual of Cumulative Annual Profits that are available for distribution to the Shareholders.
Refer to Statement of Changes in Equity.

22 **STATUTORY RESERVES**

Statutory Reserve are based on the Requirements of Section 34 of the Banks and Specialized Deposits- Taking Institution Act (Acts 930). Transfers into Statutory Reserves are made in accordance with the relationship between the Bank's Reserve Fund and its' Paid Up Capital, which determines the proportion of profits for the period that should be transferred.
(i)Where the Reserve Fund is ess 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

23. **COMMUNITY DEVELOPMENT FUND**

This Fund supports Development Activities in the Communities that the Bank operates actively, which evidently is envisaged to continue. Refer to Statement of Changes in Equity

INDEPENDENT AUDITOR'S TO THE MEMBERS OF SUMA RURAL BANK LIMITED

Report on the Financial Statements

Opinion

We have audited the financial statements of Suma Rural Bank Limited, which comprise the statements of financial position as at 31 December 2019 and the statements of comprehensive income, changes in equity and cash flows for the year the ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory information, as set out on pages 16 to 48.

In our opinion, these financial statements give a true and fair view of the financial position of Suma Rural Bank Limited as at 31 December 2019, 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 of Opinion

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

We are independent of the 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.

Impairment of financial assets

At 31 December 2019, the Bank's financial assets and respective impairment, where applicable, were as follows:

Financial assets measured at amortised cost	Amounts outstanding	Impairment
	GH¢	GH¢
Cash and cash equivalents	4,388,801	-
Non-Pledged Trading Assets	8,040,000	-
Investment other than securities	123,673	-
Loans & advances to customers	**6,605,339**	**675,413**

The impairment of these financial assets were determined on an expected credit loss basis under IFRS 9. IFRS 9 is a complex accounting standard which requires considerable judgement and interpretation in its implementation. These judgements were key in the development of the new models which have been built and implemented to measure the expected credit losses on relevant financial assets measured at amortised cost.

The increase in the data inputs required by the IFRS 9 models increases the risk of completeness and accuracy of the data that has been used to create assumptions and operate the models. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.

Expected credit losses (ECLs) are required to incorporate forward-looking information, reflecting management's view of potential future economic environment. The complexity involved requires management to develop new methodologies involving the use of significant judgements.

How the matter was addressed in our audit.

We obtained an understanding of and evaluated controls supporting management's estimates, judgements and assumptions and tested selected key controls focusing on the completeness and accuracy of data used as input to the models including the transfer of data between source systems and the impairment models;

We examined a sample of loans and advances which had not been identified by management as impaired or for which there was no significant increase in credit risk at the reporting date and formed our own judgement.

We tested data used in the ECL calculation by reconciling to source systems to check data quality.

We assessed the reasonableness of forward-looking information incorporated into the impairment calculations by challenging the multiple economic scenarios chosen and the weighting applied to capture non-linear losses.

Key audit matter

		2019 GH¢	2018 GH¢
17	DEPOSIT AND CURRENT ACCOUNTS		
	Savings Accounts	12,388,620	11,408,999
	Current Accounts	2,871,382	2,145,617
	Time Deposit	1,904,215	1,782,344
	Micro Finance (Susu & Others)	1,250,564	1,188,339
		18,414,781	**16,525,299**
18	**BORROWINGS**		
	Short - term:		
	Social Infrastructure Fund	866,664	-
	ARB APEX Bank Limited	1,022,192	161,089
		1,888,856	**161,089**
19	**OTHER LIABILITIES**		
	Unearned Interest on Loans & Borrowings	-	1,978
	Unearned Discount on Treasury Bills	132,812	52,297
	Unearned Discount on Other Investments	-	24,215
	Audit Fees	9,400	7,000
	Office Account	87,033	112,963
	Accrued Interest	45,459	787
	Provision for Defalcation	4,943	-
	Provision for Police Guard	6,900	-
	Provision for AGM	-	6,000
	CAGD Overdue Refunds	337	-
	Payment Order	-	56,076
	Managed Funds	70,478	70,478
	Interest in Suspense	10,179	-
	Inter - Agencies	-	13,342
		367,541	**345,136**

		No. of Share 2019	Proceeds 2019	No. of Share 2018	Proceeds 2018
20	STATED CAPITAL				
	Authorized Shares:				
	Number of Ordinary Shares of No Par Value		**167,707,705**		**167,707,705**
	Issued and Fully Paid:				
	Balance at 1 January	-	1,112,970	-	1,079,291
	Cash Issuance	-	53,759	-	33,679
	Preference Shares of per Value	-	13	-	13
	Balance at 31 December - Fully Paid	**2,507,499**	**1,166,742**	**2,158,102**	**1,112,983**

DISPOSAL OF MOTOR BIKES

Acquisition Cost	3,692
Less:	
Accumulated Depreciation	3,692
Net Book Value	-
Less:	-
Consideration Received	450
Comprehensive Income Statement - Gain	**450**

16 **PROPERTY & EQUIPMENT**

COST/VALUATION

	CAPITAL W-I-P GH¢	Land & Building GH¢	Office Equipment GH¢	Office Computers GH¢	Furniture & Fittings GHs	Motor Vehicles GH¢	Motor Bikes GH¢	Total GH¢
Balance at 1/1/2018	1,300	403,182	621,755	107,710	130,788	133,025	25,973	**1,423,733**
Additions	-	821,986	15,770	3,850	19,005	-	3,200	**863,811**
Written-off	-	-	-	-	-	-	-	-
Balance at 31/12/2018	**1,300**	**1,225,168**	**637,525**	**111,560**	**149,793**	**133,025**	**29,173**	**2,287,544**
ACCUMULATED DEPRECIATION								
Balance at 1/1/2018	-	66,503	202,373	40,466	29,920	73,100	12,701	**425,063**
Charge for the year	-	20,472	11,842	67,813	42,685	16,982	2,679	**162,473**
Written-off	-	-	-	-	-	-	-	-
Balance at 31/12/2018	**-**	**86,975**	**214,215**	**108,279**	**72,605**	**90,082**	**15,380**	**587,536**
CARRYING AMOUNT								
AT 31 DECEMBER, 2018	**1,300**	**1,138,193**	**423,310**	**3,281**	**77,188**	**42,943**	**13,793**	**1,700,008**

We have focused on the following significant judgements and estimates which could give rise to material misstatement or management bias:

- Significant increase in credit risk (SICR) focusing on both the qualitative and quantitative criteria used by the Bank

- Definition of default and credit impaired assets focusing on both the qualitative and quantitative criteria used by the Bank

- Probability of Default - PD - (estimate of the likelihood that borrowers will be unable to meet their debt obligations over a particular time horizon)

- Exposure At Default - EAD - (amount expected to be owed the Bank at the time of default)

- Loss Given Default - LGD - (percentage exposure at risk that is not expected to be recovered in an event of default)

- Forward looking economic information and scenarios used in the models

- Completeness, accuracy and integrity of data used in the model and the Expected Credit Loss (ECL) calculations.

How the matter was addressed in our audit.

We assessed the measurement decisions and the ECL models developed by the Bank which include challenging management's determination of:
- significant increase in credit risk,
- definition and identification of default,
- probability of default,
- exposure at default,
- loss given default, and
- credit conversion factors.

We re-performed certain model calculations to evaluate the inputs and risk parameter outputs.

We considered post-model adjustments in the context of key model and data limitations identified by management, challenged their rationale and recalculated where necessary.

We tested the underlying disclosures on IFRS 9 and compared these to underlying accounting records.

Other Information

The directors are responsible for the Other Information. The other information comprises 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.

Those charged with the governance 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and,

16 **PROPERTY & EQUIPMENT**

COST/VALUATION	CAPITAL W-I-P	Land & Building	Office Equipment	Office Computers	Furniture & Fittings	Motor Vehicles	Motor Bikes	Total
	GH¢	GH¢	GH¢	GH¢	GHs	GH¢	GH¢	GH¢
Balance at 1/1/2019	1,300	1,225,168	625,605	123,480	149,793	133,025	29,173	2,287,544
Additions	-	-	33,475	11,836	17,969	-	8,900	72,180
Adjustments/Disposal	-	-	-	-	-	-	(3,693)	(3,693)
Balance at 31/12/2019	**1,300**	**1,225,168**	**659,080**	**135,316**	**167,762**	**133,025**	**34,380**	**2,356,031**
ACCUMULATED DEPRECIATION								
Balance at 1/1/2019	-	86,975	214,215	108,279	72,605	90,082	15,380	587,536
Charge for the year	-	22,860	53,384	12,509	43,885	13,586	2,836	149,060
Adjustments/Disposal	-	-	-	-	-	-	(3,693)	(3,693)
Balance at 31/12/2019	**-**	**109,835**	**267,599**	**120,788**	**116,490**	**103,668**	**14,523**	**732,903**
CARRYING AMOUNT								
AT 31st DECEMBER, 2019	**1,300**	**1,115,333**	**403,401**	**2,608**	**51,272**	**29,357**	**19,857**	**1,623,128**
AT 31st DECEMBER, 2018	**1,300**	**1,138,193**	**423,310**	**3,281**	**77,188**	**42,943**	**13,793**	**1,700,008**

14 (a) DEFERRED TAXATION

	1/1/2019	Movements	31/12/2019
Charge / (Credit) to Comprehensive Income Statement			
Historical Cost - NCA	87,921	152,718	240,639
Loan Impairment Charge	(89,285)	(79,568)	(168,853)
	(1,364)	**73,150**	**71,786**

(b) RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred Tax Assets and Liabilities are attributed to the following:

	Temporary Difference GH¢	Tax Rate GH¢	
Deferred Tax Asset - Loan Impairment Charge	(675,413)	25%	(168,853)
Deferred Tax Liability - NCA	962,556	25%	240,639
Net Deferred Tax (Assets) / Liabilities	**287,143**		**71,786**

14 OTHER ASSETS

Stationery Stock	66,797	71,271
Rent Prepaid	54,508	66,129
Office Account	1,067,509	1,500,104
Interest in Arrears	250,923	116,769
Insurance Prepaid	30,664	38,282
Managed Loaned Funds	17,233	17,233
SMS Charges Waiver	2,494	-
Inter-Agencies' Account	-	47,622
Ezwich	-	117,659
Uncleared Effects	56,466	410,150
	1,546,594	2,385,219

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

The Companies Act, 2019 (Act 992) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

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

ii) in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books; and

iii) the Bank's statement of financial position and Bank's statement of comprehensive income are in agreement with the books of account.

In accordance with section 85(2) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) we hereby confirm that:

i) the accounts give a true and fair view of the state of affairs of the Bank and the results of operations for the period under review;

ii) we were able to obtain all the information and explanations required for the efficient performance of

our duties as auditor;
iii) the Bank's transactions were within its powers; and
iv) the Bank has, in all material respects, complied with the provisions of this Act.
With respect to the provisions of the Anti-Money Laundering Act, 2008 (Act 749) (as amended), the Anti-Terrorism Act, 2008, (Act 762) and the Regulations made under these enactments, we did not identify any instances of non-compliance based on procedures we performed.

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.
In our opinion, proper books of account have been kept, and the statements of financial position and comprehensive income are in agreement with the books of account.
The Bank's transactions were within its powers and the Bank generally complied with the relevant provisions of the Banks and Specialised Deposit- Taking Institutions Act, 2016 (Act 930).
The Bank has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), as amended by Anti-Money Laundering Amendments Act, 2014 (Act 874), the Anti-Terrorism Act, 2008 (Act 762) and the Regulations made under these enactments.
The engagement partner on the audit resulting in this independent auditor's report is: Nana Forkuoh-Ababioh Yentumi (ICAG/1154).

For and on behalf of John Allotey & Associates
(ICAG/F/2020/161)
Chartered Accountants
Prudential Plaza
Adum Kumasi, Ghana
Date: 10th July, 2020.

		2019	2018
12a.	**Impairment Allowance for Loans:**	**GH¢**	**GH¢**
	Balance at 1st January	357,139	343,671
	IFRS 9 Impact	25,636	-
	Provision released	(2,187)	(37,208)
	Loan Impairment Charge	294,825	50,748
	Balance at 31st December	**675,413**	**357,139**
12b.	**Bank of Ghana Provision**		
	Balance at 1st January	357,139	343,671
	Provision released	(2,187)	(37,280)
	Provision made	69,190	50,748
	Balance at 31st December	**424,142**	**357,139**

13 **(a) INCOME TAX EXPENSE**

Current Income Tax	22,370	62,976
Deferred Income Tax	73,150	(490)
	95,520	**62,486**

Deferred Tax Income relates to the origination and reversals of temporary differences.

(b) CURRENT TAXATION

Year of Assessment	Balance at 1/1/2019	Payment during The Year	Charge to Income Statement	Over/(Under) Provision	Balance at 31/12/2019
2019	(44,367)	(69,245)	-	22,370	(91,242)
	(44,367)	**(69,245)**	**-**	**22,370**	**(91,242)**

All Tax Liabilities calculated are subject to the agreement with the Ghana Revenue Authority.

(c) RECONCILIATION OF EFFECTIVE TAX RATE

Loss before tax	(487,442)
Income Tax using the Domestic Tax Rate	(121,861)
Non-Deductible Expenses	110,971
Tax Impact of Capital Allowances	(51,138)
Recognition of previously Unrecognized Tax Credit	22,370
Deferred Tax	73,150
Current Tax Charges	-

Effective Tax Rate (%) NIL

10	NON-PLEDGED TRADING ASSETS	2019 GH¢	2018 GH¢
	At 1st January	6,020,00	-
	Additions	10,657,946	-
	Redeemed at Maturity	(8,637,946)	-
	At 31 December	**8,040,000**	-
	Maturity within 90 days of acquisition	3,470,000	1,450,000
	Maturity after 90 days but within 182 days	3,420,000	3,420,000
	Maturity after 182 days of acquisition	1,150,000	1,150,000
		8,040,000	**6,020,000**

There was no indication of impairment of Government Securities held at the year end.

11	INVESTMENT SECURITY - AVAILABLE FOR SALE	2019 GH¢	2018 GH¢
	ARB APEX Bank Limited (Unlisted Equity)	123,673	123,673
		123,673	**123,673**

This represents investment in the ordinary shares of ARB APEX Bank Limited. Currently, the Bank has no intention of disposing off the assets.

10 LOANS AND ADVANCES

(a) Analysis By Type of Customers

Term Loans	6,713,092	6,613,834
Overdraft	567,660	461,370
Gross Loans	7,280,752	7,075,204
Less:		
Credit Impairment Loss	(675,413)	(357,139)
Net Loans	**6,605,339**	**6,718,065**

(b) Analysis By Type of Business Segment

Agriculture	730,589	1,647,143
Trading	1,113,839	1,662,625
Transport	91,815	289,911
Cottage	8,617	4,962
Others	5,335,892	3,470,564
	7,280,752	**7,075,205**
Less: Credit Impairment Loss	(675,412)	(357,139)
Net Loans	**6,605,339**	**6,718,066**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER, 2019

	NOTES	2019 GH¢	2018 GH¢
Interest Income	4	3,112,260	3,813,348
Interest Expense	5	(813,932)	(829,068)
Net Interest Income		**2,298,328**	**2,984,280**
Commission and Fees	6	991,467	853,175
Net Interest Income and Fees		3,289,795	3,837,455
Other Operating Income		450	-
Total Operating Income		**3,290,245**	**3,837,455**
Impairment Loss Charge	12a	(294,825)	(50,748)
Personnel Expenses	7	(1,815,453)	(1,797,097)
Depreciation	16	(149,060)	(162,473)
Operating Expenses	8	(1,518,349)	(1,561,642)
Loss **Before Tax**		**(487,442)**	**265,495**
Income Tax Expense	13a	(95,520)	(62,486)
Total Comprehensive Income for the year		**(582,962)**	**203,009**

The accounting policies and notes on pages 18 to 49 form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER, 2019

	NOTES	2019 GH¢	2018 GH¢
Assets			
Cash and Cash Equivalents	9	4,388,801	2,330,638
Non-Pledged Trading Assets	10	8,040,000	6,020,000
Investments (Other than securities)	11	123,673	123,673
Loans & Advances	12	6,605,339	6,718,066
Current Tax	13b	91,242	44,367
Deferred Tax	14	-	1,364
Other Assets	15	1,546,594	2,385,219
Property, Plant and Equipment	16	1,623,128	1,700,008
Total Assets		**22,418,777**	**19,323,335**
Liabilities			
Deposits from customers	17	18,414,781	16,525,299
Borrowings	18	1,888,856	161,089
Other Liabilities	19	367,541	345,139
Deferred Tax	14a	71,786	-
Total Liabilities		**20,742,964**	**17,031,527**
Equity & Reserves			
Stated Capital	20	1,166,742	1,112,983
Income Surplus	21	(54,032)	615,722
Statutory Reserve	22	557,234	557,234
Community Development Fund	23	5,869	5,869
Total Equity & Reserves		**1,675,813**	**2,291,808**
Total liabilities, Equity & Reserves		**22,418,777**	**19,323,335**

Approved by the Board of Directors on 25th June, 2020 and signed on its behalf by:

DIRECTOR:____________________

DIRECTOR:____________________

The accounting policies and notes on pages 18 to 49 form an integral part of these financial statements

		2019 GH¢	2018 GH¢
8	**OPERATING EXPENSES**		
	Director's Emoluments	62,600	60,380
	Board Meeting	6,562	7,868
	Light and Water	98,979	77,837
	Audit Fees & VAT Charge	9,400	7,000
	Audit Expenses	5,145	5,980
	Printing and Stationery	40,341	44,126
	Repairs and Maintenance	150,728	172,235
	Rent, Rates and Levies	19,869	15,212
	Communication Cost	41,185	26,716
	Insurance Premium	73,829	47,873
	Office Expenses	41,232	45,714
	Specie Movement	23,951	19,717
	Bank Charges	14,073	15,179
	Cheque Clearing expenses	20	-
	Police Guard	113,335	105,733
	Entertainment	52,033	43,866
	Advertiisng and Publicity	16,977	25,871
	Cleaning & Sanitation	17,322	14,182
	Subscription and Periodicals	54,452	38,966
	Annual General Meeting	52,538	63,877
	Mobilization & Recovery Exps.	11,357	18,141
	Micro Finance Exps	12,026	14,697
	Computerization	41,512	205,774
	Legal Fees	33,485	8,170
	Donation & Charitable Contribution	14,564	22,679
	Fuel & Lubricants	131,519	135,639
	Shortage in Till	106	1,211
	Consultancy Fees	4,000	-
	Travelling and Transport	374,209	307,510
	General Expenses	1,000	9,489
		1,518,349	**1,561,642**
9	**CASH AND CASH EQUIVALENTS**		
	Cash in Hand	2,207,343	1,344,615
	ARB APEX Bank Clearing A/c	747,332	179,513
	ARB APEX 5% Deposit	793,319	798,758
	ARB APEX E-Zwitch	103,495	-
	ARB APEX MTN MOBILE MONEY	9,560	-
	Other Banks - GN Bank	7,752	7,752
	ACOD 7	520,000	-
		4,388,801	**2,330,638**

confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized 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.

3.26 **Post Statement of Financial Position Events**

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

		2019	20018
4.	**INTEREST INCOME**	GH¢	GH¢
	Investments	262,357	1,389,956
	Loans and Overdraft	2,843,537	2,412,782
	Emittances Transfer	6,366	10,610
		3,112,260	3,813,348
5.	**INTEREST EXPENSE**		
	Borrowing	250,815	139,025
	Deposits	563,117	690,043
		813,932	829,068
6.	**COMMISSION AND FEES**		
	Commission Received	114,379	162,181
	Commitment Fees	406,611	395,027
	Other Income	469,328	295,934
	Cheque Clearing Fees	1,149	33
		991,467	853,175
7.	**PERSONNEL EXPENSES**		
	Staff Salaries and Wages	1,251,987	1,268,711
	Other Staff Costs	329,093	199,578
	Staff Medical	14,400	13,965
	Staff Training	46,158	47,378
	Staff Housing Expenses	-	2,243
	Staff End of Year Party	-	107,248
	Susu Expenses	173,815	157,974
		1,815,453	1,797,097

2019

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31ST DECEMBER, 2019

	STATED CAPITAL GH¢	INCOME SURPLUS GH¢	STATUTORY RESERVE FUND GH¢	COMM. DEV'PT. FUND GH¢	TOTAL GH¢
At 1st January, 2019	1,112,971	615,722	557,234	5,869	2,291,808
IFRS 9 Impact	-	(25,636)	-	-	(25,636)
Restated Balance as at 1st January	1,112,971	590,086	557,234	5,869	2,266,172
Loss for the year	-	(582,962)	-	-	(582,962)
Dividend Paid - 2017	-	(61,156)	-	-	-
Issue of additional shares for cash	53,758	-	-	-	53,758
At 31st December, 2019	**1,166,729**	**(54,032)**	**557,234**	**5,869**	**1,675,800**

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31ST DECEMBER, 2018

	STATED CAPITAL GH¢	INCOME SURPLUS GH¢	STATUTORY RESERVE FUND GH¢	COMM. DEV'PT. FUND GH¢	TOTAL GH¢
At 1st January, 2018	1,079,278	544,677	506,482	7,569	2,138,006
Prior Year Adjustment	-	(9,273)	-	-	(9,273)
Adjustment -Suspense Account Written Off	-	(71,939)	-	-	(71,939)
Profit for the year	-	203,009	-	-	203,009
Dividend Paid	-	-	-	-	-
Issue of additional shares for cash	33,693	-	-	-	33,693
Development Fund Applied	-	-	-	(1,700)	(1,700)
Transfer to Statutory Reserve	-	(50,752)	50,752	-	-
At 31st December, 2018	**1,112,971**	**615,722**	**557,234**	**5,869**	**2,291,808**

The accounting policies and notes on pages 18 to 41 form an integral part of these financial statements

STATEMENT OF CASH FLOW
YEAR ENDED 31st DECEMBER

	2019 GH¢	2018 GH¢
Cash Flows from Operating Activities		
(Loss) /Profit before Tax	(487,442)	265,495
Depreciation & Amortization	149,060	162,476
Impairment loss on financial asset	(25,636)	-
Income Tax Paid	(69,245)	(92,638)
Gain on disposal of Property and Equipment	(450)	-
Development Fund Applied	-	(1,700)
Prior Year Adjustment	-	(9,273)
Other Adjustment	-	(72,431)
Cash Flows from Operating activities before changes in operating Assets & Liabilities	**(433,713)**	**251,929**
Changes in Operating Assets & Liabilities		
Change in Advances to Customers	112,727	(1,493,613)
Change in Other Assets	838,625	8,481
Change in Customers' Deposits	1,889,482	3,450,928
Change in Other Liabilities	22,402	(418,563)
Net Cash generated from Operating Activities	**2,429,523**	**1,799,162**
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(72,180)	(863,810)
Redemption of Treasury Bills and Other Eligible Bills	(2,020,000)	(133,048)
Proceeds on Disposal of Property & Equipment	450	-
Net Cash used in Investing Activities	**(2,091,730)**	**(996,858)**
Cash Flows from Financing Activities		
Dividend Paid	(61,156)	-
Additional Shares Issued	53,759	33,693
Change in Borrowed Funds	1,727,767	(1,000,011)
Net Cash used in Financing Activities	**1,720,370**	**(966,318)**
Net (Decrease)/Increase in Cash and Cash Equivalent	**2,058,163**	**(164,014)**
Cash and Cash Equivalent at beginning of period	2,330,638	2,494,652
Cash and Cash Equivalent at end of the year	**4,388,801**	**2,330,638**

The accounting policies and notes on pages 18 to 49 form an integral part of these financial statements

The Assets and Liabilities Committee (ALCO) manages a portfolio of short term liquid assets and other interbank facilities and ensures that liquidity is maintained within the bank. The work of the ALCO is supported by the Treasury Unit which ensures that the bank has adequate liquidity at all times for its operations and to satisfy both statutory and prudential requirements.

ALCO further maintains a prudent investment mix to ensure that there is adequate maturing funds available to meet any unexpected withdrawals from the Bank. Daily liquidity report is also submitted to Management for decision making.

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. **Capital Description**

The Bank's Capital is the Shareholders' funds comprising Stated Capital, Statutory Reserves and Income Surplus, which includes current and previous year's retained earnings. The current level of the Bank's capital complies with the existing minimum Stated Capital requirement of Bank of Ghana.

c. **The Level of Capital Adequacy**

	2019 GH¢	**2018 GH¢**
Paid Capital	1,166,729	1,112,983
Disclosed Reserves	509,071	1,178,825
Permanent Preference Shares	13	13
Sub-Total	1,675,813	2,291,821
Investments in Unconsolidated Subsidiaries	(123,673)	(123,673)
Tier 1 Capital	1,552,140	2,168,148
Tier 2 Capital	-	-
Regulatory Capital	1,552,140	2,168,148
Required Regulatory Capital	(28,492)	-
Surplus Capital	**1,523,648**	-

The Bank's regulatory capital was above the required minimum for the period. The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimize the credit loss, the bank will seek additional collateral from the counterparty as soon as impairment indicator 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 as shown above.

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

<u>Loans and advances to customers</u>

	2019	2018
Carrying amount	**Gh¢**	**Gh¢**
Concentration by product:		
Term loans	6,713,092	6,613,834
Overdraft	567,660	461,370
Staff loans	-	-
Gross loans and advances	**7,280,752**	**7,075,204**
Loss: Impairment	(675,413)	(357,139)
Net loans and advances	**6,605,339**	**6,718,065**
Concentration by industry:		
Agricultural	730,589	1,647,143
Trading	1,113,839	1,662,625
Transport	91,815	289,911
Others	5,344,509	3,475,526
Gross loans and advances	**7,280,752**	**7,075,205**
Less: Impairment	(675,413)	(357,139)
Net loans and advances	**6,605,339**	**6,7148,066**

Key Ratios on Loans and Advances

i. Loan loss provision is 9.28% (2018 : 5.00%)

ii. Gross non-performing loans and advances is 13.00% (2018 ; 7.00%)

3.24 **Liquidity Risk**

Liquidity risk is the risk that the bank will encounter difficulty in meeting obligations from its financial liabilities.

The Bank's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under normal or stressed conditions, without incurring unacceptable losses of risking damage to its reputation.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31st DECEMBER

1.0 **REPORTING ENTITY**

Suma Rural Bank Limited is a private Company incorporated and domiciled in Ghana. The Registered office is located at Suma, Bono Region. The Bank primarily is involved in rural banking.

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.

2.2 **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 Specialized Deposits - Taking Institutions Act, 2016 (Act 930)

2.3 **Functional and Presentation Currency**

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

3 **CHANGES IN ACCOUNTING POLICIES**

The accounting policies adapted by the bank are consistent with those of the previous financial year except for leases which were previously treated under IAS 17 but are now reported per IFRS 16.

3.3 **SIGNIFICANT ACCOUNTING POLICIES**

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

3.3.1 **Revenue**

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.

3.3.2 **Interest Income**

Under IFRS 9, interest is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortize 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 for the financial asset.

The EIR (and therefore, the amortized 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 recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayment, penalty interest and charges).

If expectations regarding the cash flows of 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 amortized through Interest and Similar income in the statement of comprehensive income.

3.3.3 **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 amortized 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 recognized using the contractual interest rate in net trading income.

3.3.4 **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 recognized 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.

3.3.5 **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.

3.3.6 **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 .

December 2018	Term Loans	Overdrafts	Staff loans	Total
Grade:				
Individually impaired loans	-	-	-	-
Fair Value of Collateral	-	-	-	-

At 31 December 2019, the Bank's Loans and Advances were categorized 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-performing

	2019 Stage 1	Stage 2	Stage 3	Total
Cash & Cash equivalents	4,388,801			4,388,801
Investment Securities	8,040,000			8,040,000
Investment other than Securities	123,673			123,673
Loans & Advances to Cust.	5,840,444	535,935	904,373	7,280,752
Other assets (less Prepayments)	1,461,422			1,461,422
Gross carrying amount	19,854,340	535,935	904,373	21,294,648
Loss allowances	(6,754)	(67,541)	(601,118)	(675,413)
Carrying amount	**19,847,586**	**468,394**	**303,255**	**20,619,235**

	2018 Stage 1	Stage 2	Stage 3	Total
Cash & Cash equivalents	2,330,638	-	-	2,330,638
Investment Securities	6,020,000			6,020,000
Investment other than Securities	123,673			123,673
Loans & Advances to Cust.	6,234,360	379,475	461,370	7,075,205
Other assets (less Prepayments)	2,280,808			2,280,808
Gross carrying amount	16,989,479	379,475	461,370	17,830,324
Loss allowances	(3,571)	(35,714)	(317,854)	(357,139)
Carry amount	**16,985,908**	**343,761**	**143,516**	**17,473,185**

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 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

Individually Impaired

Substandard	308,067	208,565
Doubtful	267,483	64,219
Loss	328,823	188,587
	904,373	461,371

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 follows:

Grade:	December 2019	Term Loans	Overdrafts	Staff loans	Total
Current		5,840,444			5,840,444

Grade:	December 2018	Term Loans	Overdrafts	Staff loans	Total
Current		-	-	-	-

Loans and advances past due but not impaired

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

Grade:	December 2019	Term Loans	Overdrafts	Staff loans	Total
Past due but not impaired		535,935			535,935

Grade:	December 2018	Term Loans	Overdrafts	Staff loans	Total
Past due but not impaired		-	-	-	-

Individually impaired loans - Stage 3

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

Grade:	December 2019	Term Loans	Overdrafts	Staff loans	Total
Individually impaired loans		904,373			904,373
Fair Value of Collateral					

3.3.7 Income Tax Expense

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

3.3.8 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.

3.3.9 Deferred Taxation

Deferred tax is recognized 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 recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. 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 realized.

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 realized 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 recognized 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.

3.4 Financial assets and liabilities

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument or regular way purchases and sales of financial assets are recognized 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 recognized for financial assets measured at amortized cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognized 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 recognizes 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 recognized as a gain or loss.
(b) In all other cases, the differences are deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

3.4.1 **Classification and Subsequent Measurement**
From 1st 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
· Amortized cost.
The classification requirements for debt and equity instruments are described below:

3.4.2 **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) Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represents solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized 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

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 established by 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 customer. There is the Credit Committee that reviews reports of the performance of the Loans and Overdrafts which 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:

	2019 GH¢	2018 GH¢
Loans and Advances to customers	7,280,752	7,075,204
	7,280,752	**7,075,204**

The Bank's loans and advances were categorized 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	**6,405,339**	**6,718,066**
	Grade 1-3: Low - fair risk - Current	5,840,444	6,234,360
	Grade 4-5: Low - watch list - OLEM	535,935	379,475
	Grade 6: Substandard	308,067	208,564
	Grade 7: Doubtful	267,483	64,219
	Grade 8: Loss	328,823	188,587
	Total Gross Amount	7,280,752	7,075,205
	Allowance for impairment	(675,413)	(357,139)
	Net Carrying Amount	**6,605,339**	**(6,718,066)**
a.	**Neither past due nor impaired**		
	Grade 1-3: Low - fair risk	5,840,444	6,234,360
b.	**Past due but not impaired**		
	Grade 4-5: watch list	535,935	379,475
c.	**Impaired classified by number of days due**		
	90-180 days	308,067	208,565
	180-360 days	267,483	64,219
	360 days +	328,823	188,587
		904,373	**461,371**

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 optimizing 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 rumor. This can affect the Bank's ability to establish new relationships or retain existing all legal, statutory & Regulatory Requirements.

The Business Development and Marketing Department continue to monitor and manage reputational risk to 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:

i. Strong Financial Stability
ii. Excellent Customer Services
iii. Timely and periodic review of service agreements
iv. Good Corporate Governance and control Practices
v. Balancing the interest of all significant Stakeholders
vi. Professionalism of Employees
vii. Adherence to Corporate Social and Environmental Responsibility
viii. 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 liability to perform

instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized 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 amortized 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 recognized 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 is classified 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.

3.4.3 **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 recognized 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 recognized in profit or loss as other income when the Bank's right to receive payments is established.

3.4.4 **Impairment**

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognizes 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.

3.4.5 **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 derecognizes the original financial asset and recognizes 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 recognized 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 recognized 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 recognizes a modification gain or loss in profit or loss. The new

As a means of enhancing corporate governance in 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.

Suma 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

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.

the Bank. Employees contribute 7.5% of their basic salary to the Fund whilst the Bank contributes 7.5%.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).

3.18 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.

3.19 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, 2019.The Directors did not recommend the payment of dividend.

3.21 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 organization is the possibility that the outcome of an action or event could bring up adverse impacts. Such outcomes could either result in a direct loss of earnings/capitalor may result in imposition of constraints 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 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 has overall oversight responsibility about 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, SRB 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 sizeand nature of SRB's operations needs to be in place at all times.

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).

3.4.6 De-recognition of Financial Assets and Liabilities

Financial assets

The Bank derecognizes 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 DE recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) 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 recognized in OCI is recognized in profit or loss.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

3.4.7 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 was 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 group, or economic conditions that correlate with defaults in the group.

The Bank considered evidence of impairment for loans and advances and held-to-maturityinvestment 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 modeling 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 amortized 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 derecognized. 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 derecognized and the new financial asset was recognized 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 recognized 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 recognized through the unwinding of the discount. If an event occurring after the impairment was recognized 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.

3.4.8 **Assets carried at Amortized 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 recognized 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

In respect of other assets, impairment losses recognized 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 recognized.

3.15 **Deposits and borrowings**

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

3.16 **Provisions**

The Bank recognizes 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 recognized 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 recognized as Borrowing Cost.

3.17 **EMPLOYEE BENEFITS**

Short-Term Benefit

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 recognized 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

Plans Social Security and National Insurance Trust (SSNIT)

Under a National Deferred Benefit Pension Scheme, the bank contributes 13% of employees' 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.

Provident Fund

The Bank has a Provident Fund Scheme for all employees who have completed probation with 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 recognized 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 recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation
Depreciation is recognized 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 most closely reflects 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:

Freehold Land & Building	2%
Motor Vehicle	20%
Office Equipment	25%
Furniture and Fittings	25%
Computers & Accessories	25%
Improvement to rented premises	Leased Period

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

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

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

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

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 recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss was recognized in profit or loss.

3.4.9 (e) Derecognition of Financial Assets and Liabilities
The derecognition policies for financial assets and liabilities have not changed on the adoption of IFRS 9.

3.5 Financial Liabilities
i) Classification
The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost.

ii) Measurement
The 'amortized 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 recognized 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 of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

3.6 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 maximize the use of relevant observable inputs and minimize 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 recognized 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 recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.7 **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.

3.8 **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 amortized 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

recognized in the Bank's financial statements.

3.9 **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.

3.9.1 **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.

3.10 **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 realize 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 group of similar transactions such as in the Bank's trading activity.

3.11 **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.

3.12 **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 labor, 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 capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized 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