



2017

Reports & Financial Statements



2017

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Our Vision

Be the Best Bank in our communities by all standards and at all times

Our Mission

To provide first class financial services to our customers, through our motivated and dedicated team and to create maximum value for shareholders as well as provide responsible service to the community.

Our Goals

- Outclass all Rural Banks in Ghana
- Be the Model Rural Bank in Ghana

Our Values

RESPONSIVENESS

To meet the ever changing needs of our clients and communities

HONESTY

To be transparent and trustworthy in our operations

DEPENDABILITY

To be reliable and consistent in our service delivery

MOTIVATION

- To boost the morale of staff by rewarding them for effective, excellent and timely performance.
- To create an environment that allows individual staff to use their initiative



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Notice of Annual General Meeting

NOTICE is hereby given that the Thirty Seventh (37th) Annual General Meeting of **AKUAPEM RURAL BANK LIMITED** will be held on Saturday **28th July 2018 at 10:00 o'clock in the forenoon at the Wesley Hall, Methodist Girls' Senior High School Mamfe, Akuapem** where the following businesses will be transacted:

5. To fix the remuneration of the Directors.
6. To Authorise the Directors to appoint new Auditors
7. To authorize the Directors to fix the remuneration of the Auditors.

AGENDA

1. To receive the report of the Chairman of the Board of Directors.
2. To receive and consider the report of the Directors, the Statement of Accounts and Financial Position for the year ended 31st December 2017 and the Auditors' report thereon.
3. To declare a dividend.
4. To elect Directors in place of those retiring by rotation.

BY ORDER OF THE BOARD

SIGNED

.....

ERIC OHENEBA ANTWI-BOASIAKO

(COMPANY SECRETARY)

NOTE: A member is entitled to attend and vote at the meeting or to appoint a proxy to attend and vote in his or her stead. A proxy need not be a member of the Bank. A proxy form is enclosed with the accounts. Completed proxy forms should be lodged with the General Manager/Company Secretary, Akuapem Rural Bank Limited, Head Office, Mamfe, Akuapem not less than two (2) days before the meeting.

This advertisement serves as notice to all shareholders to attend.



PROFILE OF THE BOARD OF DIRECTORS



Mr. George Kwasi Oware (Board Chairman)

Mr. George Kwasi Oware is a retired Banker whose career spans over twenty five (25) years' experience with the Bank of Ghana (Supervision Department). He has a varied and rich background in Accounting, Auditing, Corporate Governance and Risk Management. Whilst with the Bank of Ghana, he was attached to Messrs Panell Kerr Forster, a firm of Chartered Accountants offering Audit, Taxation, Management Consultancy and other services. He was trained at the Federal Reserve Bank, Washington D.C USA as a Financial Analyst. His famous roles were the Deputy Head of Audit and Head of Compliance in the Banking Industry. He has ICA (Part 3). He is a professionally qualified member of good standing with the Institute of Directors Ghana.



Mr. Gilbert Leibel (Vice Chairman)

Mr. Gilbert Leibel is a retired banker with over 25 years' experience which cut across the core myriad of functions in the banking industry. These include client service banking, credit appraisals and relationship banking. He holds a B. A. Liberal Arts in Marketing from the University of Wisconsin - USA. He has worked with various banks such as CAL Bank, BARNETT Bank, FLORIDA National Bank, CITI Bank and EQUITABLE insurance.



Mrs. Emma Cordelia Owusu - Amoah

Mrs. Emma Owusu-Amoah holds a Master's Degree in Business Administration from Middlessex University, UK. as well as an Associate of the Chartered Institute of Bankers,, Ghana. She has over 27 years' banking experience with National Investment Bank Ltd, Ghana. She has held positions such as Branch Operations Manager, Deputy Head-International Banking Department, a Branch Manager and currently Compliance Officer at the Head Office.



PROFILE OF THE BOARD OF DIRECTORS



Mr. Joshua Offei Bekoe

Mr. Joshua Offei Bekoe holds a Bachelor's Degree in Education (B.ed, Mathematics) from the University of Education, Winneba. He later proceeded to obtain Diploma in Statistics from the University of Ghana, Legon. He has over 30 years' working experience in the field of Education and has won the 2nd best Mathematics Teacher award at the Senior High School level in 2001. He has taught at various Educational Institutions such as Krutiase, Tutu Methodist JSS, Amanokrom Presby Primary, Adawso Presby JSS and is currently Benkum Senior High school which he has held positions such as House Master and the Head of the Mathematics Department.

He is a very dedicated and devoted Presbyterian who, through his hard work was selected to attend a Strategic Planning Program for the Akwapim Presbytery.



Dr. William Adjei Twumasi

Dr. William Adjei Twumasi holds an Executive Master's Degree in Business Administration as well as a Post Graduate Diploma in Management. He was admitted to pursue PHD in Doctorate of Finance in 2014 by Swiss Management Centre Distance Learning Program. He is a Chartered Administrator and final a year student of the Institute of Chartered Accountants' (Ghana) as well as the Chartered Institute of Bankers' and Professional Certificate Examinations. In August 2013, an Honorary Doctorate Degree was conferred on him by the Accreditation for Christian Colleges & Seminaries (AICCS), USA for meritorious service to society. He has over 24 years' experience as a Finance Officer, Bursar and Accountant with the Presbyterian University College, Akropong.



Mr. Frederick Akwei Kpakpo

Mr. Frederick Akwei Kpakpo holds a Bachelor's Degree in Education (Ga) and Music Education as well as Diploma In Music and Ghanaian Language (Ga) Education. He also possesses a Certificate in Attitudinal Change. He has over 25 years' working experience. He has taught in various Educational Institutions which include Ridge Church School, Presbyterian Training College (now Presbyterian College of Education) Akropong, University of Ghana Basic School just to mention a few.



PROFILE OF THE BOARD OF DIRECTORS



Mrs Yvonne Atakora Obuobisa

Mrs. Yvonne AtakoraObuobisa holds a Post-Graduate Diploma in International Law and Organization for Development. She also holds a qualifying Certificate of Law, Barrister-at-Law (BL) as well as B.A. (Hons) Law & Sociology. She has over 20 years' experience as a lawyer particularly in Criminal Law and Procedure and has lectured for several years at the Ghana School of Law. She has prosecuted numerous cases and is noted as an expert in Criminal Law.

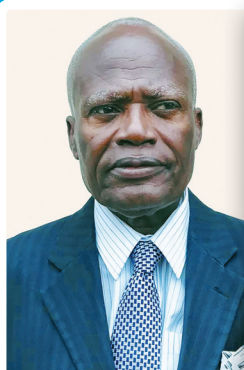


Mrs Ernestina Ayisi

Mrs Ernestina Ayisi is a Management Consultant, specializing in Financial Services Support and Business Process Re-engineering. She has over 30 years' banking experience, specifically in the Operations and Information Technology Space and People Development.

Mrs. Ayisi holds a Master's Degree in Business Administration from Henley Business, University of Reading, UK and is an Associate Member of the Institute of Directors- Ghana.

Tina is a Performance Development Facilitator certified by the Oxford Consulting Group and has many years of experience as a resource person running Assessment Centres. She is also accredited in Operational Risk Management by Continuity SA (Pty) Ltd. of South Africa.



Mr. Kwame Gyeke-Amoako

Mr. Kwame Gyeke-Amoako holds a Bachelor of Science, Degree in Computer Science from the Kwame Nkrumah University of Science & Technology (KNUST), Kumasi .

He has other training in Geographic Information Systems (GIS) and Image Processing Technology. He has over 35 years' practicing experience in the information and technology space and currently the Managing Director of Sambus Company Limited and a Director of Sambus Geospatial Company. He is also the Chairman of Angels Keepers Montessori School and a Volunteer for AFS Ghana.

SECRETARY: Eric Oheneba Antwi-Boasiako



CORPORATE Information

CURRENT MANAGEMENT:

Samuel Mbir	-	General Manager
Emmanuel E. T Sackey-Mensah	-	Head, Banking Operations
Kingsley Kyere	-	Head, Finance
Eric Oheneba Antwi-Boasiako	-	Head, Legal
Daniel K. Mensah	-	Head, Credit
Kwaku Owusu	-	Head, HR
Frank Bredu	-	Head, Internal Audit
Kwabena Gyeke-Lartey	-	Ag. Head, IT
Monica Ndebugre Tuntieya	-	Head, Microfinance
Gary Kwabena Bonney	-	Head, Corporate Support

AUDITORS:

Morrison & Associates
Chartered Accountants
Trinity House, 2nd Floor
Ring Road East
P. O. Box C2890
Cantonments - Accra

REGISTERED OFFICE:

Akuapem Rural Bank Limited
P. O. Box 5
Banking Premises
Mamfe-Akuapem
Tel: 0303-965730
E-mail: info@akuapemruralbank.com
Website: www.akuapemruralbank.com

BANKERS:

ARB Apex Bank Limited
Barclays Bank of Ghana Limited

Board Chairman's Report



1. INTRODUCTION

Distinguished Shareholders, Fellow Directors, Invited Guests, Ladies and Gentlemen, with a warmthpleasure, I welcome you all to the Thirty-Seventh (37th) Annual General Meeting (AGM) of Akuapem Rural Bank Limited and to present to you a report on the performance of the Bank for the year ended 31st December, 2017.

2. THE GLOBAL ECONOMY

The Global economic recovery was moderate in 2016, driven mainly by policy uncertainties in America and Europe. In Sub-Saharan Africa, growth was constrained by mounting domestic imbalances and a slow recovery in commodity prices during the year under review. Risks to the global economy appear balanced but a stronger US Dollar could impact adversely on Ghana's balance of payments.

3. THE GHANAIAN ECONOMIC ENVIRONMENT - 2017

The Ghanaian economy in 2017 was generally robust as measured improvement in key economic variables as compared to the previous year. The Bank of Ghana's

Composite Index of Economic Activity (CIEA) recorded an annual growth of 10.7 percent in November 2017, compared with a contraction of 1.5 percent in the same period last year, providing further evidence of improvements in the real sector. In addition, the Bank of Ghana survey of businesses and consumers showed that confidence remained high throughout 2017, pointing to positive sentiments on growth prospects, realization of business expectations and general improvements in the economy.

There was a trend decline in prices during 2017, with inflation dropping from 15.4 percent in December 2016 to 11.8 percent in December 2017. Following improved macroeconomic conditions, interest rates also generally followed a declining trend.

Interbank rates, that is, the rates at which commercial banks lend among themselves, declined to 19.3 percent as against 25.4 percent in December 2016. The interest rate equivalent of the benchmark treasury securities also declined — the 91-day treasury bill rate dropped to 13.3 percent (16.8 percent in December 2016), the 182-day rate also declined to 13.8 percent (18.5 percent in December 2016) and the 1-year note also declined markedly to 15 percent (21.5 percent in December 2016).



The domestic currency market remained stable throughout 2017, although some seasonal demand pressures emerged in the last quarter. Overall, the Ghana cedi depreciated against the US dollar by 4.9 percent year-on-year, compared with 9.7 percent in 2016

The Monetary Policy Rate (MPR) reduced by 550 basis points from 25.50 per cent at the end of 2016 to 21.00 per cent at the end of 2017.

The sustained increase of 25 percent in the Corporate Income Tax Rate for RCBs since 2016, up from 8 percent in the prior years still poses some operational challenge to RCBs.

4. THE BANKING INDUSTRY

The banking sector as a whole continued to be liquid, profitable and solvent although asset quality remained a concern. The total asset base of banks increased to GH¢93.2 billion in December 2017, indicating an annual growth of 12.8 percent compared with the 30.4 percent growth recorded in 2016. The asset growth was mainly funded by total deposits which went up by 10.6 percent on a year-on-year basis.

The industry's Capital Adequacy Ratio (CAR) which fell to 14.8 percent in June 2017 after the AQR exercise, increased to 18.0 percent at the end of December 2017, significantly above the 10.0 percent prudential requirements after implementation of the capital restoration plans in the sector.

Return on equity improved from 17.6 percent at the end of December 2016 to 18.8 percent at the end of December 2017. Efficiency indicators on costs to income and operational costs to gross income remained largely unchanged compared to a year ago.

Other financial soundness indicators recorded some improvements, but the quality of banks' loan portfolio still remains a source of concern. The Non-Performing

Loans (NPLs) ratio moved from 17.3 percent in December 2016 to 22.7 percent in December 2017, with over half of these loans in the loan loss category. Adjusting for the loss category that has been fully provisioned for, the ratio drops to 10.8 percent.

5. THE BANK'S PERFORMANCE

Fellow shareholders, on the back of the difficult economic conditions under which the Bank operated during the year in review, coupled with continued decline in interest rate levels our Bank recorded some modest gains in its financial and operational performance.

Net Interest Income recorded a marginal growth of 5.6% from GHS 9,635,113 in 2015 to GHS 10,169,924 in 2017. The relatively low interest rates on Government securities impacted negatively on the Bank's performance giving that substantial part of its earning Assets were in Gov't Treasury bills as the banking regulations demand. The Bank's earning assets (Loans/Advances and Investment) increased by 15.3% from GHS 44,561,021 in 2016 to GHS 51,357,552 in 2017.

A combination of increased costs arising from expansion in Branch network and reduced interest rate spread resulted in a drop in post-tax profit by 36.2% from GHS 2,015,085 in 2015 to GHS 1,286,300 in 2017.

Total Assets/Liabilities increased by 19.2% from GHS 50,901,851 in 2016 to GHS 60,675,131 in 2017 on the back of significant growth in deposit. Our Akusika (Susu) Scheme Product continued to enjoy impressive patronage in all our catchment areas.

Our cherished customers deserves all the commendations for the massive patronage of our products

The Bank's performance for the last five (5) years is summarized as follows:-

YEAR	DEPOSITS	LOANS	SHORT TERM INVESTMENT	PROFIT BEFORE TAX	TOTAL ASSETS	NETWORTH
	GHS' 000	GHS' 000	GHS' 000	GHS' 000	GHS' 000	GHS' 000
2013	22,786.18	12,613.66	11,890.00	1,810.04	30,729.30	5,522.33
2014	24,439.22	11,842.48	15,200.50	1,991.69	32,342.19	6,219.20
2015	30,878.45	12,379.27	23,600.50	2,875.11	41,103.55	8,510.95
2016	39,958.15	14,751.63	30,350.50	2,640.78	50,901.85	9,500.00
2016	48,987.73	15,379.77	34,861.56	1,856.85	60,675.13	9,899.06

5.1 Deposits

Deposits grew by 22.6% from GHS 39,958,151 in 2016 to GHS 48,987,727 in 2017. This was attributable to the continued patronage by our cherished customers who continue to do business with our Bank as well as the tireless efforts of our hard working staff.

5.2 Loans and Advances

Total loans/Advances disbursed for the year amounted to GHS 25,975,700 with 52.4% (GHS13, 607,250) being disbursed under the Credit with Education (CwE) Scheme. The Bank's Loans and Advances Portfolio saw a marginal increase of 4.3% from GHS 14,751,628 in 2016 to GHS 15,379,767 in 2017 amidst tightened credit stance to long-term loans to enterprises and households as banks continue to repair their balance sheets.

5.3 Interest Income

Net Interest Income increased from GHS 9,635,113 in 2016 to GHS 10,169,924 in 2017 representing 5.6% over the results for the previous year. The significant drop in interest rates on Government Treasury Bills contributed significantly to the reduced spread.

5.4 Share Capital

The Bank's paid up capital increased from GHS 1,673,331 in 2016 to GHS 1,774,246 in 2017, an increase of 6.0%. We appreciate your continued patronage of our shares and urge you to buy more shares to boost our paid-up capital.

5.5 Operating and Administrative Expenses

The Bank's Operating and Administrative Expenses increased from GHS 7,320,377 in 2016 to GHS 9,550,069 in 2017 representing an increase of 16.8%. Increase in staff costs and additional operational costs resulting from expansionary activities at Madina accounted for the increase. During the year in review (2017), Operating and Administrative Expenses constituted 81.0% of Operating Income as against 72.3% recorded for 2016.

It is expected that the expansion of operations at Madina will soon reflect positively on profitability in the coming years in addition to cost minimization strategies being pursued.

5.6 Dividend

For the Year 2017, the Board of Directors propose a dividend payment of GHS 0.0065 per share, same for the year 2016. Thus, for each 1000 shares a dividend of GHS 6.5 will be paid. In total, an amount of GHS 572,785.16 **has been earmarked for dividend for 2018 constituting a payout ratio of 45.0% as compared to 28.0%** (GHS 559,633.65) in 2017.

6. OTHER DEVELOPMENTS

6.1 Ghana Club 100 Awards

Our Bank continued its improved rankings of its membership of the prestigious Ghana Club 100 for the year 2017, as the 51st best



performing corporate entity, up from the 61st position in the year 2016. We appreciate the hard work and dedication by all stakeholders which contributed to this feat. We will strive harder to sustain our membership and improve upon our rankings.

6.2 Installation of Automated Teller Machines (ATMs)

In the Chairman's Report for 2014, it was reported that the Bank in collaboration with ARB Apex Bank was making frantic efforts towards the installation of Automated Teller Machines (ATMs) at our Agencies to enable customers' access funds more easily and help ease the periodic congestion in the banking halls. Again with much pleasure, I wish to inform you that this objective has finally been realised. As I speak, two (2) ATM's has been successfully installed at the Mamfe and Madina Agencies and functioning smoothly.

We entreat all existing and potential customers to patronize the ATMs by requesting for your ATM Cards at any of our Agencies.

6.3 Opening of a Branch at Madina, Accra

Fellow shareholders, I reported to you at the last AGM (2017) that plans to expand branch operations to Madina in Accra which has been on the bank's drawing board for quite some time now had finally kicked off. With a warmth pleasure, I wish to inform you that the new Branch at Madina has been opened for business since December 2017 and officially commissioned in March 2018. We entreat all of you to propagate the good news to all existing and potential customers to ensure we achieve our aim for the expansion. We are grateful for your continued support and understanding.

6.4 Quarterly Ratings by ARB Apex Bank

Your bank improved its ranking by the Efficiency Monitoring Unit (EMU) of the ARB

Apex Bank from 12th position in December 2016 to 5th in December 2017 amongst the 142 RCB's operating in Ghana. The quarterly ranking uses 16 criteria grouped under the target areas of Capital, Asset quality, Asset utilisation, Earnings/Profitability and Liquidity (CAEL). We will work harder to sustain and improve upon this performance.

7.0 ACKNOWLEDGEMENTS

I wish to express my deepest gratitude to my colleague Board Members for your unwavering support and count on your continuous support.

I salute the Management and Staff of the Bank for their loyalty and hard work. To our External Auditors we thank you for your good work and diligence during your time with us. We appreciate you for your dedication to our course. As we part ways, we wish you all the best in your future endeavours.

To our cherished customers, we say a big thank you for doing business with us and keeping us always on top. We assure you of our resolve to provide you with efficient services and tailor-made products to meet your ever growing needs.

We also appreciate the fruitful co-operation and support from the Chiefs, Elders, all and sundry in our operational areas.

We also thank you, our cherished shareholders for your unfailing support for us and confidence you have reposed in us. To our regulators and advisory bodies especially Bank of Ghana, ARB Apex Bank, the Association of Rural Banks- Ghana both the national and Eastern Region Chapter, do accept our appreciation for your direction and support you continue to give to our Bank.

Thank you for your attention.

Awards

AKWAPEM RURAL BANK LTD.





REPORT OF THE BOARD OF DIRECTORS

TO THE MEMBERS OF AKWAPIM RURAL BANK LIMITED

The Board of Directors have pleasure in submitting their annual report for the year ended December 31, 2017 to the members as follows:

Board of Directors

- | | |
|------------------------------|-----------------|
| 1. George Kwasi Oware | - Chairman |
| 2. Gilbert Leibel | - Vice Chairman |
| 3. Emma Owusu-Amoah | - Member |
| 4. Joshua Offei Bekoe | - Member |
| 5. Dr. William Adjei Twumasi | - Member |
| 6. Frederick Akwei Kpakpo | - Member |
| 7. Yvonne Atakora Obuobisa | - Member |
| 8. Ernestina Ayisi | - Member |
| 9. Kwame Gyeke-Amoako | - Member |

In accordance with section 298(a) of the Companies Code 1963 (Act 179), Joshua Offei Bekoe, Dr. William Adjei Twumasi and Kwame Gyeke-Amoako retire by rotation. They however offer themselves for re-election as they are eligible to serve further terms on the Board.

By virtue of section 298 (f) of the Companies Code 1963 (Act 179) no person 'other than a Director retiring at the meeting shall, unless recommended by the Directors, be eligible for election to the office of director at any general meeting unless not less than 3 nor more than 28 days before the date appointed for the meeting, shall have been left at the Registered Office of the Company, notice in writing signed by a member entitled to attend and vote at the meeting of his/her intention to propose such person for election, and also notice in writing signed by that person of his/her willingness to be elected.

Statement of Directors' Responsibilities In Relation To The Financial Statements

The Companies Act, 1963 (Act 179) as amended requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and of the profit or loss for that year.

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

- Select suitable accounting policies in accordance with International Financial Reporting Standards (IFRS) and to apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and ensuring that the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act, 1963 (Act 179) as amended and the Banks and Specialised Deposit - taking Institutions Act, 2016 (Act 930). They are also responsible for safeguarding the assets of the Bank and hence for taking steps for the prevention

and detection of fraud and other irregularities, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free of material misstatements.

The above statement, which should be read in conjunction with the report of the Auditors, is made with the view to distinguishing for shareholders the respective responsibilities of the Directors and the auditors in relation to the financial statements.

Principal Activities

The principal activities carried out by the Bank during the year under review were within the

limits permitted by its regulations. There were no changes in the authorised businesses of the Bank during the year.

Results of Operations

The results of operations for the year ended December 31, 2017 are set out in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Cash flows, Statement of Changes in Equity and Notes to the financial statements from page 6 to 42. A summary of the results is as follows:

	2017 GHS	2016 GHS
Profit before tax	1,856,851	2,640,783
Taxation	(570,545)	(625,699)
Profit after tax	1,286,306	2,015,084
Total Assets	60,675,132	50,901,851

Stated Capital

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

Dividend

The Directors recommend the payment of dividend of **GHS 0.0065** per share totaling **GHS 572,782.00**. The Directors consider the Bank's state of affairs to be satisfactory.

Auditors

The Auditors, Messrs. Morrison and Associates will retire from office in accordance with Bank of Ghana's directive dated January 11, 2011 (Ref. No. BSD/105/201).

By Order of the Board

Director

Director



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AKWAPIM RURAL BANK LIMITED

Opinion

We have audited the financial statements of Akwapem Rural Bank Limited (the Bank), which comprise the statement of financial position as at December 31, 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on page 12-43.

In our opinion, the financial statements present, in all material respects, a true and fair view of the financial position of the Bank as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and in the manner required by the Companies Act 1963 (Act 179) as amended and the Banks and Specialised Deposit - taking Institutions Act, 2016 (Act 930).

Basis for Opinion

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

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance

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

Key Audit Matters

Key audit matters are those matters selected from matters communicated with those charged with governance which in our professional judgement were of most significance in the audit of the financial statements of the current period. The key audit matter relates to loan reporting.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the Companies Act, 1963 (Act 179) as amended, and the Banks and Specialised Deposit - taking Institutions Act, 2016 (Act 930) and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of

accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the 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 report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

The Companies Act, 1963 (Act 179) as amended, and section 85 (2) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) require 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) Proper books of account have been kept by the bank, so far as appears from our examination of those books;
- iii) The statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows, and the statement of changes in equity are in agreement with the books of account;
- iv) We have obtained satisfactory returns from the bank's branches not visited;
- v) The bank's transactions were within its powers;
- vi) The bank has complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), the Anti Terrorism Act, 2008 (Act 762) as amended and the regulations made under these enactments; and

- vii) The bank has generally complied with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930)

The engagement partner on the audit resulting in this independent auditor's report is Samuel Wilfred Yaw Inkoom (Practising Certificate Number: ICAG/P/1118)

Particulars of the Auditor

Signature.....

Name: Morrison & Associates
(Chartered Accountants)

Licence Number: ICAG/F/2018/097

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

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Accra, Ghana

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2017

		2017	2016
	Note	GHS	GHS
Interest Income	3	12,559,159	11,371,348
Interest Expense	4	(2,389,235)	(1,736,235)
NET INTEREST INCOME		10,169,924	9,635,113
Fees and Commission Income	5	929,525	949,461
Fees and Commission Expense	6	(656,524)	(605,051)
NET FEES AND COMMISSION INCOME		273,001	344,410
Other Operating Income	7	112,221	142,869
OPERATING INCOME		10,555,146	10,122,392
Loan Impairment Expense	10	(148,232)	(161,231)
Personnel Expenses	8	(5,832,634)	(4,990,947)
Depreciation and Amortisation		(469,363)	(368,153)
Other Expenses	9	(2,248,066)	(1,961,277)
PROFIT BEFORE TAX		1,856,851	2,640,784
Taxation	11	(570,545)	(625,699)
PROFIT AFTER TAX		1,286,306	2,015,085



STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2017

	Note	2017 GHS	2016 GHS
ASSETS			
Cash and Cash Equivalents	12	3,874,535	3,445,356
Loans and Advances to Customers	13	14,698,985	13,899,312
Investments	14a	36,506,641	30,509,781
Equity investments	14b	151,928	151,928
Property, Plant and Equipment	15	3,703,234	2,205,509
Intangible Asset	16	37,730	-
Current Tax	11a	83,136	-
Other Assets	17	1,618,944	689,965
TOTAL ASSETS		60,675,133	50,901,851
LIABILITIES			
Deposits from Customers	18	48,987,727	39,958,151
Current Tax	11a	-	81,395
Deferred Tax	11b	302,053	206,791
Other liabilities	19	785,408	528,671
Dividend Payable	20	700,883	609,556
TOTAL LIABILITIES		50,776,071	41,384,564
SHAREHOLDERS' FUNDS			
Stated Capital	21	1,774,246	1,673,331
Income Surplus Account		5,208,698	5,212,501
Revaluation Reserve		153,635	153,635
Statutory Reserve Fund		2,616,370	2,455,582
Regulatory Credit Risk Reserve		146,113	22,238
TOTAL SHAREHOLDERS' FUNDS		9,899,062	9,517,287
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		60,675,133	50,901,851

DIRECTOR

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	STATED CAPITAL GHS	INCOME SURPLUS GHS	STATUTORY RESERVE GHS	REVALUATION RESERVE GHS	CREDIT RISK RESERVE GHS	TOTAL GHS
Balance at 1st January		1,673,331	5,212,501	2,455,582	153,635	22,238	9,517,287
Prior year adjustment:	31	-	-	-	-	-	-
Bad debt written off		-	(310,148)	-	-	-	(310,148)
Penalty (2015,2016)		-	(135,664)	-	-	-	(135,664)
Balance as restated		1,673,331	4,766,689	2,455,582	153,635	22,238	9,071,475
Net profit for the year		-	1,286,306	-	-	-	1,286,306
Transactions with owners							
Dividend payable		-	(559,634)	-	-	-	(559,634)
Proceeds from issue of shares		100,915	-	-	-	-	100,915
Total transactions with owners		100,915	(559,634)	-	-	-	(458,719)
Other movements in equity							
Regulatory credit risk reserve		-	(123,875)	-	-	123,875	-
Transfer to Statutory Reserve		-	(160,788)	160,788	-	-	-
Total other movements in Equity		-	(284,663)	160,788	-	123,875	-
Balance at 31st December		1,774,246	5,208,698	2,616,370	153,635	146,113	9,899,062



STATEMENT OF CHANGES IN EQUITY (Cont'd)

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	STATED CAPITAL GHS	INCOME SURPLUS GHS	STATUTORY RESERVE GHS	REVALUATION RESERVE GHS	CREDIT RISK RESERVE GHS	TOTAL GHS
Balance at 1st January		1,621,000	3,960,231	2,203,696	153,635	572,384	8,510,946
Prior year adjustment	29	-	64,173	-	-	(572,384)	(508,211)
Balance as restated		1,621,000	4,024,404	2,203,696	153,635	-	8,002,735
Net profit for the year		-	2,015,084	-	-	-	2,015,084
Transactions with owners							
Dividend payable		-	(552,863)	-	-	-	(552,863)
Proceeds from issue of shares		52,331	-	-	-	-	52,331
Total transactions with owners		52,331	(552,863)	-	-	-	(500,532)
Other movements in equity							
Regulatory credit risk reserve		-	(22,238)	-	-	22,238	-
Transfer to Statutory Reserve		-	(251,886)	251,886	-	-	-
Total other movements in Equity		-	(274,124)	251,886	-	22,238	-
Balance at 31st December		1,673,331	5,212,501	2,455,582	153,635	22,238	9,517,287

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2017

OPERATING ACTIVITIES	2017	2016
	GHS	GHS
PROFIT BEFORE TAX	1,856,845	2,640,783
Depreciation and Amortisation	469,363	368,154
Charge for Loan impairment	148,232	161,231
Loans written off	(374,531)	-
Prior year adjustment	(445,812)	-
(Profit) on Sale of Fixed Assets	(27,716)	(20,509)
NET CASH INFLOW BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	1,626,381	3,149,659
(Increase) in Investment	(5,996,856)	(6,930,691)
(Increase) in Loans & Advances to Customers	(573,374)	(2,739,748)
(Increase)/Decrease in Other Assets	(928,979)	132,047
Increase in Customer Deposits	9,029,576	9,079,699
Increase/(Decrease) in Other Liabilities	256,737	(578,402)
Corporate Tax Paid	(639,812)	(554,839)
	1,147,292	(1,591,934)
NET CASH INFLOW FROM OPERATING ACTIVITIES	2,773,673	1,557,725
INVESTING ACTIVITIES		
Purchase of Fixed Assets	(2,004,818)	(550,514)
Proceeds From Sale of Fixed Assets	27,716	22,580
	(1,977,102)	(527,934)
FINANCING ACTIVITIES		
Proceeds from Issue of Shares	100,915	52,331
Dividend Paid	(468,307)	(416,702)
	(367,392)	(364,371)
NET INCREASE IN CASH & CASH EQUIVALENTS	429,179	665,420
ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS		
Balance at 1st January	3,445,356	2,779,936
Net Cash Inflow (Outflow)	429,179	665,420
Balance at 31st December	3,874,535	3,445,356
COMPOSITION OF CASH AND CASH EQUIVALENTS		
Cash on Hand	1,243,113	1,094,118
Balances with Banks	2,631,422	2,351,238
	3,874,535	3,445,356

— Employee — OF THE YEAR



MICRO FINANCE OPERATION



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1. Reporting Entity

Akuapem Rural Bank Limited (ARB Ltd.) was incorporated in Ghana on 29th August, 1980 under the Companies Act, 1963, (Act 179) and regulated under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

It was the 12th Rural Bank to be established in Ghana and the 3rd in the Eastern Region of Ghana. The Bank is fully owned by Ghanaians, mainly local residents on the Akuapem Ridge.

Akuapem Rural Bank Limited is domiciled in Ghana and headquartered at Mamfe - Akuapem with its registered office at an unnumbered building, opposite the Mamfe lorry park.

The Bank is authorised to carry on the following businesses, viz

1. To provide current and deposit accounts for its customers;
2. To provide savings and time deposits accounts for its customers;
3. To act as agents of other financial institutions in the country;
4. To accept and discount bills of exchange;
5. To accept securities for safe keeping/ custody;
6. To act as executors and trustees of wills of small farmers and small merchants;
7. To provide finance for small farmers, merchants, industrialists and co-operatives of such farmers and merchants and industrialists resident in the Akuapem North and South Districts.

8. To engage in other commercial or industrial enterprises in the locality.

1.1 Statement of Compliance

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the IASB in force as of the reporting date. International Financial Reporting Standards (IFRSs) comprise IFRS 1 to 16 and International Accounting Standards (IAS) 1 to 41.

1.2 Authorisation for Publication

The financial statements of the Bank for the year ended December 31, 2017 were authorised for issue by a resolution of the Board of Directors on April 16, 2018.

2.0 Summary of Significant Accounting Policies

The significant accounting policies applied by Akuapem Rural Bank Limited in the preparation of the financial statements are set out below.

2.1 Basis of Preparation

The financial statements have been prepared under the historical cost Convention as modified by revaluation of property, plant and equipment and by the use of fair value and amortised cost measurement bases for assets and liabilities required to be so measured by relevant IFRSs.

2.2 Functional and Presentation Currency

The financial statements are presented in Ghana Cedis (GHS) which is the functional and presentation currency.



2.3 Foreign Currency Transactions

Foreign currency transactions are recorded, on initial recognition in Cedis by applying to the foreign currency amount the exchange rate between the Cedi and the foreign currency at the date of the transaction.

At the end of the reporting period;

- Monetary items are reported using the closing rate; the closing rate is the ruling exchange rate at the end of the financial year; and
- Non-monetary items are maintained at actual historical rates.

Exchange differences arising on the settlement of monetary items or on reporting the entities monetary items at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, are recognised as income or expenses in the period in which they arise.

Ghana Cedi equivalents were paid for all foreign currency transactions. There were no monetary assets and/or liabilities denominated in foreign currencies as at the end of the year.

2.4 Property, Plant and Equipment

The Bank recognizes an item of property, plant and equipment as an asset when it is probable that future economic benefits will flow to it, the amount meets the materiality threshold set by the Bank, and can be reliably measured.

Property, plant and equipment are initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment are carried at cost or valuation less accumulated depreciation and any impairment losses.

The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, which the Bank would currently obtain from the disposal of an asset in similar age and condition as expected at the end of the useful life of the asset.

Annual depreciation rates of items of property, plant and equipment have been assessed as follows.

Computers and Accessories	25%
Office Equipment	25%
Motor Vehicles	20%
Furniture and Fittings	20%
Building	5%
Generator	10%
Leasehold Improvement	10%

Costs associated with routine servicing and maintenance of assets is expensed as incurred. Subsequent expenditure is only capitalized if it is probable that future economic benefits associated with the item will flow to the Bank.

The carrying values of property, plant and equipment are reviewed for indications of impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the

time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Residual values, useful lives and methods of depreciation for property and equipment are reviewed and adjusted if appropriate, at each financial year end.

2.5 Employee Benefits.

Short-Term Benefits.

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

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

Wages and salaries payable to employees are recognised as an expense in the income statement at gross amounts. The Bank's contributions to the social security fund and provident fund are also charged as an expense.

Social Security and National Insurance Trust (SSNIT) and Tier 2 Pension

Under a National Defined Contribution Pension Scheme, the Bank contributes 13% of employees' basic salary to a pension scheme for employee pension. The Bank's obligation

is limited to the relevant contributions which are settled on due dates. The pension liabilities and obligation however rest with SSNIT and the private fund manager the Bank has elected to manage part of the total contributions attributable to the pension scheme of employees.

Provident Fund

The Bank also makes a contribution of 7.5% (while employees contribute 5%) to a provident fund for employees with its obligation limited to the amount contributed in relation to each individual employee. The manager of this fund which is a private Investment Company therefore carries the liability until it is finally settled.

2.6 Taxation

Income tax in the Income Statement comprises current tax and deferred tax.

Current tax is the tax expected to be payable, under the Income Tax Act, 2015 (Act 896) on the taxable profit for the year.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are generally recognised for all taxable temporary differences that are expected to reverse in the foreseeable future while deferred tax assets are recognised to the extent that it is probable future taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the rate expected to be applicable in the period during which the asset will be realised or the liabilities settled.

2.7 Financial Instruments

Initial recognition and measurement

The Bank recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.



The Bank classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the instrument. These are initially measured at fair value (including transaction costs for assets and liabilities not measured at fair value through profit or loss).

Subsequent measurement of financial instruments

For purposes of subsequent measurement financial assets are classified as follows:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for sale financial assets

(a) Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that is designated on initial recognition at fair value through profit or loss or assets that are held for trading. Assets are held for trading if they are acquired for the purpose of selling in the short term or for which there is a recent pattern of short term profit taking.

Assets in this category are measured at fair value with changes recognised in profit or loss.

(b) Loans and receivables

These are financial assets with fixed or determinable payments that are not quoted on an active market other than those in the three other categories.

Assets in this category are measured at amortised cost using the effective interest rate method.

(c) Held-to-maturity investments

These are financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity and that do

not meet the definition of those in the other categories.

They are measured at amortised cost through the effective interest rate method.

(d) Available-for-sale financial assets

These are financial assets designated on initial recognition as available-for-sale or any other instruments that are not classified under any of the other categories.

They are measured at fair value with changes recognised in equity.

Financial liabilities

For the purposes of subsequent measurement financial liabilities are classified as follows:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost using the effective interest rate method.

a) Financial liabilities at fair value through profit or loss

A financial liability at fair value through profit or loss is a financial liability that is designated on initial recognition at fair value through profit or loss or liabilities that are held for trading.

Liabilities in this category are measured at fair value with changes recognised in profit or loss.

b) Financial liabilities at amortised cost

These are non-trading financial liabilities and are measured at amortised cost using the effective interest method.

A financial asset or financial liability is deemed to be 'held for trading' if

- (i) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term,
- (ii) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there

is evidence of a recent actual pattern of short-term profit-taking; or

- (iii) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging contract).

The Bank's principal financial assets are loans and advances to customers, cash and bank balances and Investments.

Loans and advances and investments have been classified as loans and receivables and held-to-maturity investments respectively and are measured at amortised cost.. Cash and bank balance has been classified as financial asset at fair value through profit or loss and is measured at fair value with measurement gains and losses recognised in profit or loss. Equity investment has been classified as available-for-sale financial assets and is measured at fair value with measurement gains and losses recognised in equity.

The Bank's principal financial liabilities are fixed term investments from customers, demand and savings deposits from customers and payables and accruals (Bills and audit fees).

Fixed term investments, demand and savings deposits have been classified as financial liabilities at amortised cost and are measured at amortised cost. Payables and accruals are classified as financial liabilities at fair value through profit or loss and are measured as such.

The amortised cost of a financial asset or a financial liability.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the

use of an allowance account) for impairment. The effective interest rate represents the true interest charged on loans (actual interest plus amortised upfront charges).

Fair Value Measurement

The Bank defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes an orderly transaction between market participants at the measurement date under current market conditions.

In measuring fair value:

- The Bank takes into account the characteristics of the asset or liability being measured that a market participant would take into account when pricing the asset or liability at the measurement date.
- The Bank determines classes of asset or liability for disclosure purposes on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy within which the fair value measurement is categorized.

De-recognition of financial assets and liabilities

A financial asset or a portion thereof, is derecognized when the bank's rights to cash flows have expired or when it has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all the risk and rewards associated with the financial assets or when control over the financial assets has passed. A financial liability is derecognised when the obligation is discharged, cancelled or has expired.



Impairment of financial assets

Framework for measuring impairment of financial assets

At each reporting date the Bank assesses whether, as a result of one or more events occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired.

Evidence of impairment may include significant difficulty of the issuer or obligor, the disappearance of an active market for that financial asset because of financial difficulties, etc.

In the case of equity investments, objective evidence would include significant or prolonged decline in the fair value of the investment below its cost.

For debt instruments and financial assets measured at amortised cost, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

Assets together with the associated allowances are written off when there is no realistic prospect of future recovery and all collateral have been utilised.

If a future write-off is later recovered the recovery is credited to 'credit loss expense'. The present value of the estimated future cash

flows is determined using the financial asset's original effective interest rate.

2.8 Regulatory Credit Risk Reserve

Impairment for loans and advances has been made based on IFRS principles. However, impairment made should meet Bank of Ghana's criteria for loan provisioning. Where provision for impairment based on Bank of Ghana's criteria is higher than that based on IFRS principles the difference is charged to income surplus and transferred to a non-distributable reserve.

2.9 Events after the Reporting Period

Events subsequent to the reporting date are reflected only to the extent that they relate directly to the financial statements and the effect is material.

2.10 Cash and Cash Equivalents.

Cash and cash equivalents comprise cash in vault and bank balances.

2.11 Provisions

The Bank recognises provisions when it has a present obligation (legal or constructive) as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Bank expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

passage of time is recognised as a borrowing cost.

2.12 Use of Estimates and Judgements

In the preparation of the financial statements, the Bank makes estimates and judgements that could affect the reported amounts of assets and liabilities within the next financial year.

Key areas in which judgment is applied include:

- (i) Determination of depreciation rates for property plant and equipment
- (ii) Estimation of Provisions
- (iii) Determination of contingent liabilities and contingent assets
- (iv) Impairment of financial and non-financial assets.

2.13 Revenue Recognition

Revenue is recognised to the extent that the economic benefit will flow to the Bank and can be reliably measured. The following specific income recognition criteria have been applied in the financial statements.

- Interest Income

Interest income is recognised in profit for all interest - bearing financial assets measured at amortised cost, as interest accrues using the effective interest method. The Bank's financial assets that give rise to interest income are loans and advances and investments.

- Commissions and fees

Revenue fees that are an integral part of the true interest rate of financial assets and are included in the measurement of the effective interest rate are spread over the period of the financial assets.

Commission and fees from the rendering of services are recognised in the income statement when the related services are performed.

The company earns commissions and fees from a range of services provided to its customers. Commissions and fees revenue are accounted for as follows:

Income earned on customer's current account (commission on turnover) is recognised when charged.

Income earned from the provision of cheque clearing services are recognised when the services are provided.

2.14 Interest Expense

Interest expense is recognised in profit or loss for all interest -bearing financial liabilities measured at amortised cost. The Bank's financial liabilities that give rise to interest expense are fixed term and savings deposits from customers.

2.15 Accruals and Payables

Liabilities are recognized for amounts to be paid in the future, and amounts accrued but payments not yet made.

2.16 New Standards and interpretations issued but not yet effective

The bank has elected not to early adopt the following standards, amendments and interpretations to existing standards that were issued but not yet effective, for the accounting periods beginning 1st January 2017.

Standard	Content	Applicable for financial years beginning on or after
IFRS 15,9	Revenue from contract with customers Financial Instrument	1 January 2018

The standard contains a single model that applies to contracts with customers and two



approaches to revenue recognition over a period of time or at a point in time. The model features a contract based five step analysis of transactions to determine whether, how much and when revenue is recognized.

The standard supersedes IAS 18 “Revenue”, IAS 11 “Construction contracts” and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to contracts with customers, with the exception of leases, financial instruments and insurance contracts.

The standard will not have any significant impact on the company's financial statements.

IFRS 9: Financial Instruments

The IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments:

Recognition and Measurement and all previous versions of IFRS 9.

IFRS 9 brings together aspects of the accounting for the financial instruments: classification and measurement and impairment.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

		2017	2016
		GHS	GHS
3	INTEREST INCOME		
	Interest on Loans	4,858,446	4,391,622
	Interest on Overdraft	781,074	827,426
	Interest on Investment	6,919,639	6,152,300
		12,559,159	11,371,348
4	INTEREST EXPENSE		
	Savings	1,064,349	615,571
	Fixed Deposits	1,324,886	1,120,664
		2,389,235	1,736,235
5	FEES AND COMMISSION INCOME		
	Commission on Turnover	541,661	576,736
	Commitment Fees	321,473	302,248
	Processing Fees	24,196	36,844
	Cheque Clearing Fees	42,195	33,633
		929,525	949,461
6	FEES AND COMMISSION EXPENSE		
	Recovery Expenses	560	3,605
	Micro Finance Expenses	214,481	158,348
	Susu Expenses	441,483	443,098
		656,524	605,051
7	OTHER OPERATING INCOME		
	Brokerage	-	3,124
	Bad Debt Recovered	-	69,135
	Profit on Disposal	27,716	20,509
	Sundry Income	84,505	50,101
		112,221	142,869



8 PERSONNEL EXPENSES

	2017	2016
	GHS	GHS
Salaries	2,986,194	2,373,284
Allowances	1,809,376	1,523,749
SSF	373,970	295,273
Provident Fund	205,885	159,505
Bonus	-	241,569
Medicals	106,629	86,095
Staff Training	101,140	58,447
Directors' Emoluments	249,440	253,027
	5,832,634	4,990,949

9 OTHER EXPENSES

Audit fees	26,400	24,000
Other administrative expenses	2,221,666	1,937,277
	2,248,066	1,961,277

10 LOAN IMPAIRMENT EXPENSE

Balance b/f	692,816	620,990
Prior Year	-	424,567
	692,816	1,045,557
Loans Written Off	(374,531)	(513,972)
	318,285	531,585
Increase/(decrease) in Provision	148,232	161,231
Balance c/f	466,517	692,816

11 INCOME TAX

Year of Assessment	Balance 1/1/2017	payment made during the year	Charge for the year	Balance at 31/12/2017
	GHS	GHS	GHS	GHS
(a) Current Tax				
2016	81,395	(156,250)	-	(74,855)
2017	-	(483,564)	475,283	(8,281)
	81,395	(639,814)	475,283	(83,136)
(b) Deferred Tax				
2017	206,791	-	95,262	302,053

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

	GHS	GHS
Profit Before Taxation	1,856,845	2,640,783
Tax at Applicable Rate (25%)	464,212	660,196
Add (Deduct):		
Tax Effect of Non-Deductible Expenses	175,360	145,445
Tax Effect of Loans written off	-	(128,493)
Tax Effect of Capital Allowances	(164,289)	(109,719)
Tax Effect of Origination and Reversal of Temporar	95,262	75,554
Deduct tax effect of bad debt recovered	-	(17,284)
Tax Expense	570,545	625,699
Effective Tax Rate	30.73%	23.69%

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

12	CASH AND CASH EQUIVALENTS	2017	2016
		GHS	GHS
	Cash on Hand	1,243,113	1,094,118
	Balances with Banks:	2,631,422	2,351,238
		3,874,535	3,445,356
13	LOANS AND ADVANCES TO CUSTOMERS		
a	ANALYSIS BY TYPE		
	Overdrafts	2,252,936	2,254,575
	Term Loans	13,126,831	12,497,053
	Gross Loans and Advances	15,379,767	14,751,628
	Interest Receivable	172,128	165,917
	Interest in Suspense	(83,774)	(78,364)
	Deferred Commission/Fees	(302,619)	(247,053)
	Less: Impairment allowance	(466,517)	(692,816)
	Net Loans and Advances	14,698,985	13,899,312



b ANALYSIS BY TYPE OF CUSTOMER		2017	2016
		GHS	GHS
	Individuals	10,291,701	9,878,242
	Private Enterprises	839,698	582,370
	Public Enterprises & Institutions	295,543	141,994
	Others	3,952,825	4,149,022
		15,379,767	14,751,628
	Interest Receivable	172,128	165,917
	Interest in Suspense	(83,774)	(78,364)
	Deferred Commission/Fees	(302,619)	(247,053)
	Less: Impairment allowance	(466,517)	(692,816)
	Net Loans and Advances	14,698,985	13,899,312
14a	INVESTMENTS		
	91/182 Day Treasury Bills at maturity value	8,750,500	14,600,500
	1 Year Treasury Bill	350,000	450,000
	Fixed Deposit at Cost	23,461,059	11,400,000
	Apex Certificate of Deposits	2,300,000	3,900,000
		34,861,559	30,350,500
	Add: Accrued Interest	2,360,416	1,083,092
	Less: Unearned Discount	(715,334)	(923,811)
		36,506,641	30,509,781
14b	EQUITY INVESTMENT		
	Apex Bank Shares	151,928	151,928

15a PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost/ Vluation GHS	Accumulated Depreciation GHS	Carrying Amount GHS	Cost/ Vluation GHS	Accumulated Depreciation GHS	Carrying Amount GHS
Building	2,733,725	(497,154)	2,236,571	1,514,520	(419,202)	1,095,318
Furniture and Fittings	441,066	(224,078)	216,988	300,066	(192,893)	107,173
Office Equipments	834,458	(516,548)	317,910	732,573	(421,333)	311,240
Computer	615,239	(365,774)	249,465	436,709	(319,346)	117,363
Motor Vehicles	847,212	(379,227)	467,985	609,107	(264,577)	344,530
Generator Plant	254,835	(101,993)	152,842	180,233	(84,528)	95,705
Capital Work in Progress	16,630	-	16,630	66,911	-	66,911
Leasehold Improvements	224,230	(179,387)	44,843	224,230	(156,961)	67,269
	5,967,395	(2,264,161)	3,703,234	4,064,349	(1,858,840)	2,205,509

b Reconciliation of opening carrying values with closing carrying values

2017	Opening Bal	Additions	Transfers	Disposals	Depreciation	Closing Bal
	GHS	GHS	GHS	GHS	GHS	GHS
Building	1,095,318	1,168,925	50,281	-	(77,952)	2,236,572
Furniture and Fittings	107,173	146,006	-	-	(36,191)	216,988
Office Equipments	311,240	131,852	-	-	(125,182)	317,910
Computer	117,362	219,716	(39,371)	-	(48,244)	249,463
Motor Vehicles	344,530	263,717	-	-	(140,262)	467,985
Generator Plant	95,705	74,602	-	-	(17,465)	152,842
Capital Work in Progress	66,911	-	(50,281)	-	-	16,630
Leasehold Improvements	67,269	-	-	-	(22,426)	44,843
	2,205,508	2,004,818	(39,371)	-	(467,722)	3,703,233



2016	Opening Bal	Additions	Transfers	Disposals	Depreciation	Closing Bal
	GHS	GHS	GHS	GHS	GHS	GHS
Building	1,142,948	21,824	5,786	-	(75,240)	1,095,318
Furniture and Fittings	65,039	64,970	-	-	(22,836)	107,173
Office Equipments	212,014	139,146	71,750	-	(111,670)	311,240
Computer & Accessories	41,457	102,256	-	-	(26,350)	117,362
Motor Vehicles	271,859	163,783	-	-	(91,112)	344,530
Generator Plant	116,299	-	-	(2,071)	(18,523)	95,705
Capital Work in Progress	85,912	58,535	(77,536)	-	-	66,911
Leasehold Improvements	89,692	-	-	-	(22,423)	67,269
	2,025,220	550,514	-	(2,071)	(368,154)	2,205,508

16a INTANGIBLE ASSET

	2017			2016		
	Cost	Amortisation	Carrying Value	Cost	Amortisation	Carrying Value
	GHS	GHS	GHS	GHS	GHS	GHS
Computer Software	39,371	(1,641)	37,730	-	-	-

(b) Reconciliation of Opening carrying value to closing carrying value

2017	Opening Bal.	Additions	Reclassification	Disposals	Amortisation	Closing Bal.
	GHS	GHS	GHS	GHS	GHS	GHS
Computer Software	-	-	39,371	-	(1,641)	37,730

2016	Opening Bal.	Additions	Reclassification	Disposals	Amortisation	Closing Bal.
	GHS	GHS	GHS	GHS	GHS	GHS
Computer Software	-	-	-	-	-	-

		2017	2016
		GHS	GHS
17	OTHER ASSETS		
	Prepayments	1,193,541	83,473
	Inventory	136,287	80,513
	Sundry Debtors	258,695	390,076
	Disbursed Managed Funds	-	74,659
	Uncleared Effects	15,917	9,500
	Inter Agency Accounts	-	51,744
	Others	14,504	-
		1,618,944	689,965
18	DEPOSITS FROM CUSTOMERS		
	Demand Deposits	10,116,444	8,628,537
	Time Deposits	13,735,041	8,628,046
	Savings Deposits	25,024,188	22,620,313
	E-Zwich	74,100	18,287
	Accrued Interest	37,954	62,968
		48,987,727	39,958,151
19	OTHER LIABILITIES		
	Provision for Utilities	-	20,413
	Audit fees	26,400	24,000
	Sundry Creditors	489,203	405,542
	Controller & Accountant General	7,295	6,231
	Managed Funds	28,860	37,954
	Payment Order/Bills Payable	229,985	34,531
	Others	3,665	-
		785,408	528,671
20	DIVIDEND PAYABLE		
		2017	2016
		GHS	GHS
	Balance as at 1st Jan	609,556	473,395
	Declared for the year	559,634	552,863
	Payment during the year	(468,307)	(416,702)
		700,883	609,556



21 STATED CAPITAL

	No. of Ordinary Shares		Proceeds	
	2017	2016	2017 GHS	2016 GHS
Authorised	5,000,000,000	5,000,000,000	-	-
Issued for Cash Consideration	71,526,578	69,508,288	1,010,912	909,997
Issued for consideration other than cash	16,594,216	16,594,216	763,334	763,334
	88,120,794	86,102,504	1,774,246	1,673,331

There is no share in treasury and no call or instalment unpaid on any share.

22. CONTINGENT LIABILITIES

Based on our review of events of the bank, there were no contingent liabilities as at the Statement of Financial Position date. (2016: Nil)

23. CAPITAL EXPENDITURE COMMITMENTS

There were no capital expenditure commitments as at the Statement of Financial Position date. (2016: Nil)

24. RELATED PARTY TRANSACTIONS

a. Transactions with key management personnel

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

For the year under review, key management personnel include:

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

Samuel Mbir	General Manager
Kingsley Kyere	Head of Finance
Emmanuel E. S. Mensah	Head of Banking Operations
Edna Laryea	Head of Credit

In addition to expenses resulting from emoluments, some key management personnel received loans from the bank. Details of expenses and balances on loans were as follows;

	2017	2016
	GHS	GHS
Director's Emoluments	230,016	253,027
Salaries and other benefits to Senior Mgt.	339,795	297,063
Loans to Senior Management	142,645	101,567





25. FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial assets have been applied to the items below.

2017	CATEGORY				TOTAL
	Loans and	Held-to-	Fair Value	Available-	
	Receivables	Maturity	*TPL	for-Sale	
	GHS	GHS	GHS	GHS	GHS
Loans and Advances	14,698,985	-	-	-	14,698,985
Short Term Investments	-	36,506,640	-	-	36,506,640
Equity Investment	-	-	-	151,928	151,928
Cash and Bank Balance	-	-	3,874,535	-	3,874,535
Total	14,698,985	36,506,640	3,874,535	151,928	55,232,088

2016	CATEGORY				TOTAL
	Loans and	Held-to-	Fair Value	Available-	
	Receivables	Maturity	*TPL	for-Sale	
	GHS	GHS	GHS	GHS	GHS
Loans and Advances	13,899,312	-	-	-	13,899,312
Short Term Investments	-	30,509,781	-	-	30,509,781
Equity Investment	-	-	-	151,928	151,928
Cash and Bank Balance	-	-	3,445,356	-	3,445,356
Total	44,409,093	30,509,781	3,445,356	151,928	48,006,377

*NB: TPL = Through Profit or Loss

26. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial liabilities have been applied to the items below.

2017	CATEGORY		TOTAL
	Amortised Cost	Fair Value *TPL	
	GHS	GHS	
Customer Fixed Deposits	13,772,995	-	13,772,995
Customer Demand & Savings Deposits	35,214,732	-	35,214,732
Payables & Accruals (Bills & Audit fees)	-	256,385	256,385
Total	48,987,727	256,385	49,244,112

2016	CATEGORY		TOTAL
	Amortised Cost	Fair Value *TPL	
	GHS	GHS	
Customer Fixed Deposits	8,659,530	-	8,659,530
Customer Demand & Savings Deposits	31,298,621	-	31,298,621
Payables & Accruals (Bills & Audit fees)	-	58,531	58,531
Total	39,958,151	58,531	40,016,682

27. ANALYSIS OF INCOME AND EXPENSES BY CATEGORY OF FINANCIAL INSTRUMENTS

Interest income of **GHS 5,639,521 (2016: 5,219,048)** is in respect of Loans & Advances to customers which has been classified as loans and receivables and are measured at amortised cost.

Interest income of **GHS 6,919,639 (2016: 6,152,300)** is in respect of investments placed in treasury bills and other investments which are classified as Held-to-maturity investments and are measured at amortised cost.

Bank charges of **GHS 1,996 (2016: 218)** are in respect of bank balances which are classified as fair value through profit or loss and are measured at fair value with measurement gains and losses through profit or loss.

Interest expense of **GHS 2,389,235 (2016: 1,736,235)** is in respect of customer deposits which have been classified as financial liabilities at amortised cost and are measured at amortised cost. 2

28. RISK MANAGEMENT

The nature of the Bank's operations exposes it to various types of risk. The risks emanating from financial instruments to which the Bank is exposed are credit risk and liquidity risk. The Bank is also exposed to other business and operating risks.

The Bank's risk control processes do not include that for business risks such as changes in the business environment and in the industry in which it operates. These risks are managed through the company's strategic planning processes.

28.1 Credit Risk

Credit risk arises from the potential that a debtor or counterparty is either unwilling or unable to perform an obligation resulting in economic loss to the Bank. The principal sources of credit risk inherent in the Bank's operations are balances

with the banks, loans and advances to customers and investments.

The Bank manages its credit risk in relation to loans and advances as detailed below.

The Bank's Board of Directors is responsible for the overall identification and control of risks.

The risk strategies are developed by management and implemented by the responsible management committees. The risk strategies developed are approved by the board.

Operational Risk Sub - Committee (ORSC)

Some of the duties of the ORSC are;

- Ensure that the Bank's overall operational risk exposure is maintained at prudent levels and effective controls are in place to mitigate risk.
- Ensure that the Bank implements sound fundamental principles that facilitate the identification, measurement, monitoring and control of operational risk.
- Ensure that adequate resources (material as well as human) are available for and devoted to operational risk management.
- Ensure that Akuapem Rural Bank Management and individuals responsible for operational risk Management possess sound expertise and knowledge to accomplish the operational risk management function. The ORSC meets once a month.

Credit /Finance Sub - Committee (CFSC)

Some of the duties of the CFSC are;

- Set out the nature, role, responsibility and authority of the credit risk management function of the Bank.
- Review and oversee the overall lending policy, including monitoring and risk management tools.
- Review loan applications in excess of Management Credit Committee limit and recommend to the Board in excess of Sub-Committee limit.



- Review lending practices and quality of loan portfolio.
- Ensure that there are effective procedures and adequate resources to identify and mitigate credit risk.
- Monitor and evaluate all issues that may materially impact on the present and future quality of the loan portfolio and credit risk management.
- Delegate and review lending limits to the sanctioning arms of the Bank. The CFSC meets twice a month.

The following approval limits are relevant for granting of loans

Branch Managers	-	Salary Advance – Max.	GHS 1,000.00
Management Credit Committee	-	All loans	- Max. GHS 7,000.00
Credit/Finance Sub-Committee (Chairman)	-	All loans	- Max. GHS 9,000.00
Credit/Finance Sub-Committee	-	All loans	- Max. GHS 20,000.00
Board of Directors	-	All loans	- Above GHS 20,000.00

The framework for managing overall risk is the operational manual. The credit risk manual is a guide for the management of credit risk. The credit risk manual spells out the loan approval process, recovery process, target market etc.

To minimize the risk from the other sources of credit risk the Bank only deposits cash and restricts investments to major banks and institutions.

The maximum amount of credit risk by class of financial asset as at December 31, 2017 was as follows.

2017	CATEGORY				
	Loans and Receivables	Held-to- Maturity	Fair Value *TPL	Available- for-Sale	TOTAL
	GHS	GHS	GHS	GHS	GHS
Loans and Advances	15,165,502	-	-	-	15,165,502
Short Term Investments	-	36,506,640	-	-	36,506,640
Equity Investment	-	-	-	151,928	151,928
Cash and Bank Balance	-	-	2,631,422	-	2,631,422
Total	15,165,502	36,506,640	2,631,422	151,928	54,455,492

2016	CATEGORY				
	Loans and Receivables	Held-to- Maturity	Fair Value *TPL	Available- for-Sale	TOTAL
	GHS	GHS	GHS	GHS	GHS
Loans and Advances	14,592,128	-	-	-	14,592,128
Short Term Investments	-	30,509,781	-	-	30,509,781
Equity Investment	-	-	-	151,928	151,928
Cash and Bank Balance	-	-	2,351,238	-	-
Total	14,592,128	30,509,781	2,351,238	151,928	46,912,259

Collateral held in respect of loans and advances is mainly in the form of cash or cash equivalent, motor vehicles and legal mortgage. No collateral is held in respect of the bank balances and investments as the taking of security for such placements is not the practice in the industry.

The loans and advances portfolio is further analysed in terms of credit quality as follows:

	2017	2016
	GHS	GHS
Neither past due nor impaired	13,182,398	11,877,844
Past due, but not impaired	1,394,220	2,183,072
Impaired	588,884	690,712
Total	15,165,502	14,751,628

Analysis of loans and advances individually determined to be impaired

	2017	
No. of days Overdues	Carrying amount before Impairment loss (GHS)	Impairment (GHS)
91 – 180	429,668	234,360
180 – 360	33,636	30,030
361 and beyond	125,580	113,209
Other Statistics	2017	2016
Loan loss provision ratio	3.06%	4.70%
Gross non-performing loans ratio	13.50%	10.49%
50 largest exposures	31.44%	21.71%

28.2 Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The bank manages liquidity risk through an ongoing review of future commitments and credit facilities. The bank has minimised its liquidity risk by ensuring that it has adequate banking funds.

A summary of the bank's financial assets and liabilities analysed according to their contractual maturities are as follows;



December 31, 2017	0 – 3 months	4 – 6 months	7 – 12 months	Above 1 year
	GHS	GHS	GHS	GHS
Assets				
Cash and bank balances	3,874,535	-	-	-
Short Term Investments	24,948,409	10,576,872	981,359	-
Equity investment	-	-	-	151,928
Loans and advances	1,517,509	2,636,295	4,613,517	5,931,664
Total Assets	30,340,453	13,213,167	5,594,876	6,083,592
Liabilities				
Demand and savings	35,252,686	-	-	-
Time deposits	6,277,147	1,362,081	641,598	1,497,061
Payables & Accruals	256,385	-	-	-
Total Liabilities	41,786,218	5,595,346	1,087,122	775,426
Net Liquidity Gap	(11,445,765)	7,617,821	4,507,754	5,308,166

December 31, 2016	0 – 3 months	4 – 6 months	7 – 12 months	Above 1 year
	GHS	GHS	GHS	GHS
Assets				
Cash and bank balances	3,445,356	-	-	-
Short Term Investments	10,465,075	16,432,367	3,612,339	-
Equity investment	-	-	-	151,928
Loans and advances	2,023,919	1,023,128	1,242,662	9,609,603
Total Assets	15,934,350	17,455,495	4,855,001	9,761,531
Liabilities				
Demand and savings	31,298,621	-	-	-
Time deposits	293,731	6,354,411	1,189,429	821,959
Payables & Accruals	58,531	-	-	-
Total Liabilities	31,650,883	6,354,411	1,189,429	821,959
Net Liquidity Gap	(15,716,533)	11,101,084	3,665,572	8,939,572

28.3 Operational Risk

Operational risk is the potential for loss from failed systems and processes, staff incompetence and misconduct and uncontrolled external events. These risks are monitored and controlled in the Bank through well designed operating manuals that reflect the main operating procedures, business continuity planning, reconciliations, internal audit and timely and reliable management reporting.

29. CAPITAL

29.1 The Objectives of Capital Management

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

- It complies with the minimum stated capital requirement of Bank of Ghana
- It complies with the regulatory capital requirement that enables it to meet the minimum Capital Adequacy Ratio requirements of Bank of Ghana
- It's operations would assure it of increasing level of profitability and shareholder value

The achievement of the above objectives is monitored through regular reports on the performance of the Bank and the ARB Ltd.'s returns submitted to Bank of Ghana regularly.

29.2 Capital Description

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

• Stated Capital

This is made up of issue of shares for cash, consideration other than cash and transfer of funds from income surplus.

• Income Surplus

The amount recognised represents cumulative retained earnings less transfers to statutory reserves.

• Capital Surplus

This represents revaluation gains on property, plant and equipment and increase in equity shares in ARB Apex Bank Limited.

• Regulatory Credit Risk Reserve

This is an amount transferred from income surplus account to a non - distributable reserve account in order to meet the minimum regulatory requirements in respect of impairment allowance for non - performing loans and advances to customers.

• Statutory Reserve.

The amount represents transfers from year end profits as a non - distributable reserve in accordance with regulatory requirements. The transfer to the reserve is in compliance with section 34 of the Banks and Specialised Deposit - taking Institutions Act, 2016 (Act 930).

29.3 Capital Adequacy

The company's capital adequacy status is shown in the table below.



	2017	2016
	GHS	GHS
Tier 1 Capital	9,599,311	9,341,414
Tier 2 Capital	153,635	153,635
Total Regulatory Capital	9,752,946	9,495,049
Adjusted Capital Base (a)	9,563,287	9,343,121
Adjusted Asset Base (b)	38,955,843	28,726,897
Capital Adequacy Ratio (a/b)	24.55	32.52
Capital Surplus (Adjusted capital base less 10% of the adjusted asset base)	5,667,703	6,470,431

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

30.0 CORPORATE SOCIAL RESPONSIBILITY

Amount spent in fulfilling corporate social responsibility obligation are:

	2017	2016
	GHS	GHS
Community Development	48,630	36,282

31.0 PRIOR YEAR ADJUSTMENT

This is in respect of debts as a result of misappropriation of funds by staff of the bank and penalty in respect of 2015 and 2016 financial year for non - compliance with VAT Registration and subsequent payment of taxes.

MADINA BRANCH

ACCRA









