OKOMFO ANOKYE
RURAL BANK LTD.

ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER, 2017

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NOTICE OF THE 31ST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 32ND ANNUAL GENERAL MEETING (AGM) OF SHAREHOLDERS OF OKOMFO ANOKYE RURAL BANK LIMITED WILL BE HELD AT THE WIAMOASE SALVATION ARMY HALL ON THURSDAY 20TH SEPTEMBER, 2018 AT 10.00AM TO TRANSACT THE FOLLOWING BUSINESS:

AGENDA

- i. To read the Notice convening the meeting
- ii. To consider the following
    - a. Report of the Board of Directors
    - b. Report of the Chairman
    - c. Report of the External Auditors, and
    - d. The Financial Statements of the Bank for the year ended 31st December, 2017
- iv. To authorize the Directors to fix the Auditors' Remuneration
- v. To approve Revised Regulations of the Bank
- vi. To fix Directors' Remuneration
- vii. To declare dividend
- viii. To elect Directors to replace those retiring

RETIRING DIRECTORS

In accordance with section 298 of the Companies Act 1963 (Act 179) two(2) Directors, Mr. Kennedy Obiri-Yeboah and Lawyer Kwasi Bempa, representing Bepoase and Boaman/Tetrem Zones respectively are due to retire at the end of the meeting. They are eligible for re-election and have expressed their willingness to be re-elected.

ELIGIBILITY FOR DIRECTORSHIP

Please note that any shareholder vying for the position of a Director must have been a shareholder of the Bank for not less than **three years** and must possess a minimum of **50,000 shares** as at 31st December, 2017. That shareholder must have a minimum of Senior High School Certificate, G.C.E. Ordinary/Advanced Level Certificates or Teachers' Certificate. In addition, he/she must have a professional qualification in any of the following areas: Agriculture, Education, Finance, Law, Information Technology, Accounting, Building and any relevant discipline.

The said shareholder must also:

- ❖ **Be a highly public spirited person**
- ❖ **Have a passion for rural banking**

Shareholders are hereby informed that under the Companies Act 1963 (Act 179) they are at liberty to propose any other shareholder of their choice to contest to the office of a Director of the Bank.

The proposal shall however be seconded by another shareholder of the Bank. Any shareholder wishing to contest the position of Directorship shall submit his/her application together with a current Curriculum Vitae (CV) to the General Manager/Secretary not later than fourteen (14) days before the meeting. Such an application shall be seconded by a shareholder qualified to nominate.

A shareholder is entitled to attend and vote at the AGM or appoint a proxy to attend and vote instead of him/her. Such a proxy needs not be a member or shareholder of the Bank.

The instrument appointing such a proxy must be deposited at the Headquarters of the Bank, Wiamoase-Ashanti, not later than 48 (Forty-Eight) hours before the time for holding the meeting.

NOTE: ONLY SHAREHOLDERS WHOSE NAMES APPEAR IN THE REGISTER OF SHAREHOLDERS ON 31ST DECEMBER, 2017 WILL BE ELIGIBLE TO VOTE AT THE 32ND AGM.

Dated at Wiamoase, this 20th day of August, 2018.

BY ORDER OF THE BOARD

CORPORATE INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER 2017

Name	Email Address	Telephone No
Kennedy Obiri-Yeboah, CA	obiriyeboahkennedy@gmail.com	0501333610
Mr. Emmanuel Owusu-Boakye	owusu.boakye@ymail.com	0204344903
Dr. Kofi Anokye-Manu	drananokyemanu2012@gmail.com	0244181642
Kwasi Bempa, Esq	lawyerbempa@gmail.com	0204344901
Rev. Eric Boakye Yiadom	kboakyeadomrev@hotmail.com.uk	0204344907
Dr. Siaw Frimpong	siawfrimpong@yahoo.com	0501267206
Rev. Charles Yeboah	revkbyeb@gmail.com	0501585945

Secretary

John Brefo Badu
P.O. Box 13
Wiamoase - Ashanti

Solicitor

Kwasi Bempa, Esq
Faith Chambers
Kumasi

Registered Office:

P.O. Box 13
Wiamoase - Ashanti

Auditors:

BRODAAY & Partners
Chartered Accountants
P.O. Box UP 1509
KNUST
Kumasi

DIRECTORS SHAREHOLDING

TIN	NAME	ADDRESS	DATE OF BIRTH	NO OF SHARES	INCASH GHc
P0007577842	Kennedy Obiri-Yeboah	KUMASI	03-05-65	678,691	13,573
P0007577923	Kofi Anokye-Manu	WIAMOASE	21-09-51	577,353	11,547
P0007577915	Kwasi Bempa	KUMASI	12-01-57	357,885	7,157
P000757794X	Emmanuel Owusu Boakye	WIAMOASE	27-01-70	393,467	7,869
P0007577818	Eric Kwame Boakye-Yiadom	MPASATIA	04-06-68	455,750	8,515
P0007577974	Charles Yeboah	KWAMANG	29-05-68	291,093	5,821
P0006090117	Siaw Frimpong	CAPE-COAST	20-04-67	560,465	11,209
	OTHER SHAREHOLDERS			67,157,048	1,197,409
	TOTALS			70,471,752	1,263,100

OKOMFO ANOKYE
RURAL BANK LIMITED

P.O. Box 13, Wiamoase - Ashanti
Email: okofokye83@yahoo.com
Iinfo@okomfoanokyeruralbank.com
www.okomfoanokyeruralbank.com

	QUALIFICATION	CONTACT DETAILS	POSITION
 KENNEDY OBIRI-YEABOAH	CA, CEMBA, MBA (Accounting), AIM (Management Practice)	0244419587 0501333610	Board Chairman
 EMMANUEL OWUSU BOAKYE	M.A. (HRD), B.Ed (Technology)	024498359 0204344903	Vice Board Chairman, Chairman, Loans & Advances Committee, Member, Human Resource Committee
 DR. KOFI ANOKYE MANU	PhD (Education Management & Leadership, B.Sc (Admin) PGCE	0244181642 0208116928 0204344902	Board Member, Chairman Human Resource & Marketing Research & Committees, Member Loans and Advances Committee
 LAWYER KWASI BEMPAH	LLB; Bachelor of Law	0208135981 0204344901	Board Member Bank's Solicitor, Chairman Procurement Committee
 VERY REV. ERIC K. BOAKYE YIADOM	B.Com, CIM (Ministry)	0244214479 0204344907	Board Member, Member, Loans & Advances Audit & Governance, Research, Marketing & Procurement Committees.
 DR. SIAW FRIMPONG	PhD (Finance), M.Bus, Dip. Grad (Fin), B.Com, Dip Ed.	0244887254 0332137871 0501267206	Board Member, Chairman, Audit and Governance
 REV. CHARLES YEBOAH	M/A Educational Leadership BEd (Accounting) Teachers Cert "A" Special Ministerial Training	0501585945 0242701607	Board Member, Member, Loans & Advances Committee, Member Governance Committee

REPORT OF THE DIRECTORS

In accordance with the requirements of Section 132 of the Companies Act, 1963 (Act 179), the Board of Directors of Okomfo Anokye Rural Bank Limited, present their Annual Report on the State of Affairs of the Bank for the year ended 31 December, 2017. The Directors report as follows:-

1. Statement of Directors' Responsibilities

The Directors are responsible for the preparation of Financial Statements for each financial year which give true and fair view of the state of affairs of the Bank and of the Profit or Loss and Cash flows for that period. In preparing these Financial Statements, the Directors have selected suitable accounting policies and then applied them consistently, made judgements and estimates that are reasonable and prudent and followed International Accounting Standards. The Directors are responsible for ensuring that the Bank keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Bank. The Directors are responsible for safeguarding the assets of the Bank and take reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors have made an assessment of the ability of the Bank to continue as a going concern and have no reason to believe that the Bank will not be a going concern for the foreseeable years.

2. Financial Results

The results for the year ended 31st December, 2017 showed an increase in profitability as compared to last year. Profit before tax increased by GH¢ 334,946 from GHS 637,477 in 2016 to GHS 972,423 in 2017, an increase of 52.5%. Profit after tax increased by GHS 251,210 from GHS478,108 in 2016 to GHS 729,318 in 2017, an increase of 52.5%.

	2017	2016
	GHS	GHS
Profit for the year ended 31st December before Tax is	972,423	637,477
Proposed Taxation based on these accounts of	(243,106)	(159,369)
Giving a profit for the year after tax of	729,317	478,108
To which is added, balance on the Income Surplus		
Account Brought Forward of	912,177	722,527
Of which is transferred to Statutory Reserve Fund		
as required by Banks and Specialized Deposit-Taking		
Institutions Act, 2016 (Act930) of	(182,329)	(119,527)
Transfer to Social Responsibility Fund of	(14,586)	(9,562)
Transfer to credit risk reserve of	(438,714)	.00

3. Net worth Position

The Bank's net worth position improved by GHS 696,174 from GHS3,541,199 as at the end of 2016 to GHS 4,2374 at the end of 2017, representing an increase of 19.6% compared to 34.0% in the year 2016.

4. Stated capital

The Stated capital increased from GHS1,178,151 as at 31st December 2016 to GHS 1,263,100 as at 31st December 2017, an increase of GHS84,949.00.

5. Principal Activity

There was no change in the principal activities of the bank which is ''To provide Banking Services to people in the Bank's catchment area''.

6. External Auditors

Messrs BRODAAY and Partners were appointed to replace Kan Dapaah and Partners who had been the Bank's External Auditors since August 2012.

7. Directors' Representation

The Directors confirm that no matters have arisen since 31st December, 2017, which materially affect the financial statements as presented.

8. Declaration of Dividend

My colleague shareholders, as per our dividend policy, the Directors propose the payment of dividend of GHS243,106 or 0.00344Gp per share representing one third of the Bank's net profit after tax of GHS729,317.00 to shareholders whose names appeared in the register as at 31st December, 2017.

9. First Time Adoption of International Financial Reporting Standards (IFRS)

The Board of Directors resolved to adopt IFRS for the preparation of this year's and subsequent years' financial statements in line with Section 78 of the Banks and Specialized Deposit-Taking Institutions Act 2016 (Act 930).

10. Acknowledgement

The Board of Directors take this opportunity to express its sincere thanks to our shareholders for their support, to our numerous customers for their patronage and to the Management and Staff for their dedication, hard work and service during the year 2017.

11. Financial Statements

The results of the year are set out in the attached financial statements.

Approved by the Directors on 4th June, 2018

.... Director

.... Director

The Chairman's Report to Shareholders on the occasion of the 32nd Annual General Meeting(AGM) of Okomfo Anokye Rural Bank Ltd. on Thursday, 20th September, 2018 at the Salvation Army Hall, Wiamoase-Ashanti.

1.0 Salutation

Nana………,Nananom, Representatives of the Bank of Ghana, ARB Apex Bank and Association of Rural Banks National Chapter, President of the Association of Rural Banks, Ashanti Chapter, Directors and Managers of Sister Rural Banks, other invited guests, shareholders, representatives of the media, ladies and gentlemen, All other protocol observed.

On behalf of the Board of Directors and on my own behalf, I warmly welcome you to the Bank's 32nd Annual General Meeting.

As a duty required by the Companies Act 1963(Act 179), the Board has to render accounts of its stewardship in 2017 to shareholders. I therefore present to you the Bank's Annual Report and Audited Accounts for the Financial Year Ended 31st December, 2017.

2.0 Overview of the Economic Conditions in 2017

Ghana's economy witnessed a more favorable macro economic environment in 2017 than in 2016. Macro economic indicators such as interest rate, inflation, foreign exchange rates declined throughout the year. External reserves build-up improved and provided significant buffer against potential external vulnerabilities.

Increase in crude oil production also provided significant support for improved economic stability. Against these positive indicators the Bank of Ghana reduced the monetary Policy Rate (MPR) by cumulative 550 basis points to end the year at 20%.These rate cuts also resulted in declining interest rates.

There were however banking sector challenges that resulted in two Universal Banks collapsing. This did not significantly affect confidence by the public in Banks as the collapse was well managed in such a way that depositors did not lose their deposits.

The Bank of Ghana increased minimum capital requirements of Commercial Banks to GHs400 million to be complied with by 31st December 2018 so as to strengthen the Banking sector and maintain a stable economy.

In the rural Banking sector, drastic increase in previous year's corporate tax rate from 8%pa to 25% pa continues to threaten the ability of Rural Banks to meet minimum capital requirements and retain sufficient profits for development.

Attempts by the Association of Rural Banks to advocate for a reduction in this tax rate for Rural Banks has so far not yielded any positive results as the corporate tax rate of 25% was maintained for 2017 and is still the same as I speak.

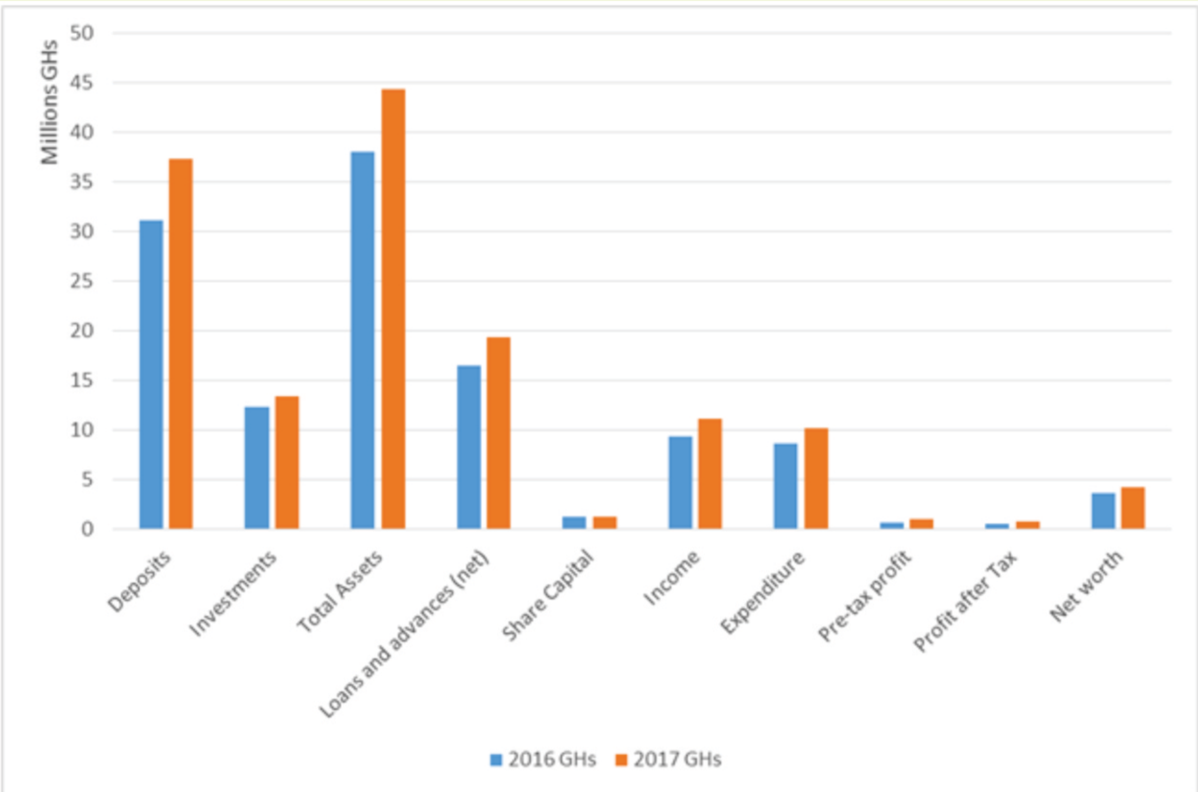
The declining interest rates regime meant that Banks' income from their main source, namely loans income dwindled. Distinguished shareholders, in spite of these your Bank produced encouraging results in the year 2017:

3.0 Operational performance for Financial Year Ended 2017

Fellow shareholders your Bank's financial position improved significantly as shown in table 1 below.

Table 1 - Performance of Key Financial Indicators as at 31 December, 2017

Item(GH¢)	2017	2016	Change
	GHs	GHs	%
Deposits	37,392,468	31,148,824	20.0%
Investments	13,385,196	12,257,324	9.2%
Total Assets	44,381,222	38,015,705	16.7%
Loans and advances (net)	19,383,953	16,460,968	17.8%
Share Capital	1,263,100	1,178,151	7.2%
Income	11,073,340	9,270,397	19.4%
Expenditure	10,100,917	8,632,921	17.0%
Profit before tax	972,423	637,477	52.5%
Profit after Tax	729,317	478,108	52.5%
Net worth	4,237,374	3,541,199	19.7%



Break Down of some of the Key Indicators as at 31 December, 2017

Table 2 – Deposits Breakdown

Type of Deposit	2017 GHS	2016 GHS	Percentage Change
Savings Account	16,526,158	14,042,717	17.7%
Current Account	5,074,533	4,085,444	24.2%
Fixed Deposits	6,166,971	4,524,826	36.3%
Susu	9,624,806	8,496,838	13.0%
Total	**37,392,468**	**31,148,824**	**20.0%**

Figure 2 – Deposits Breakdown

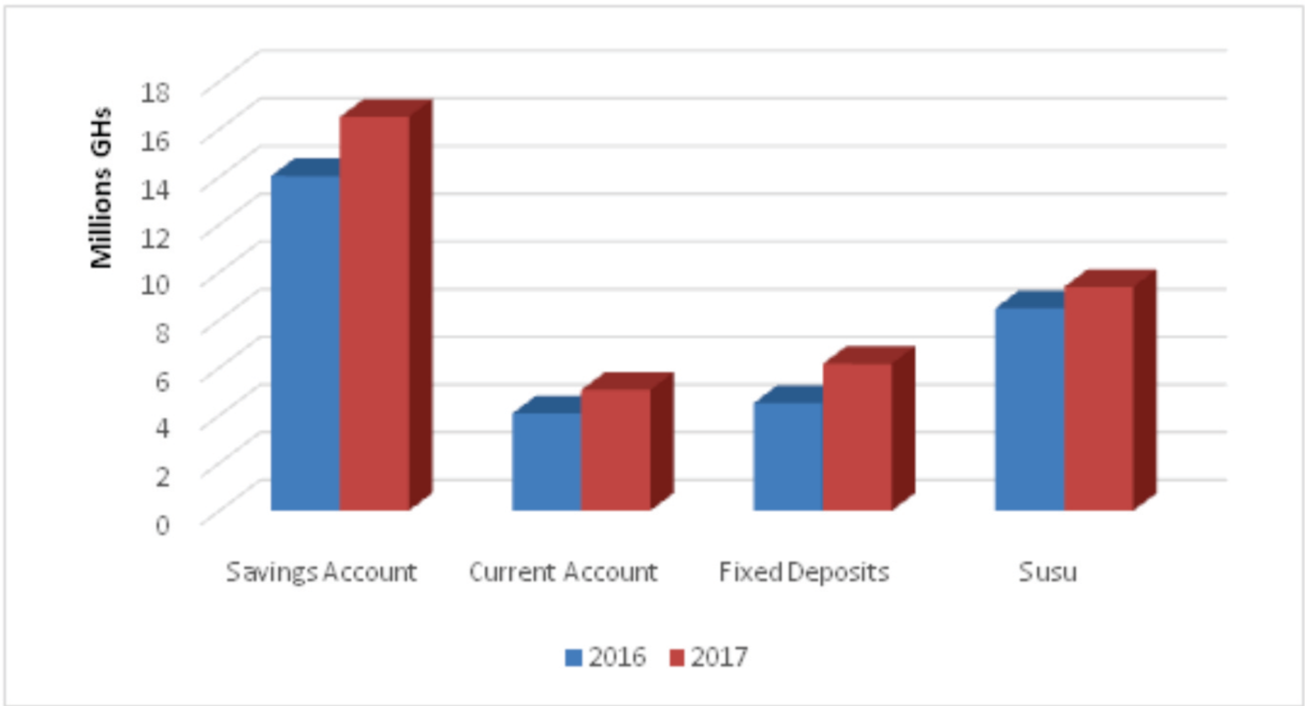
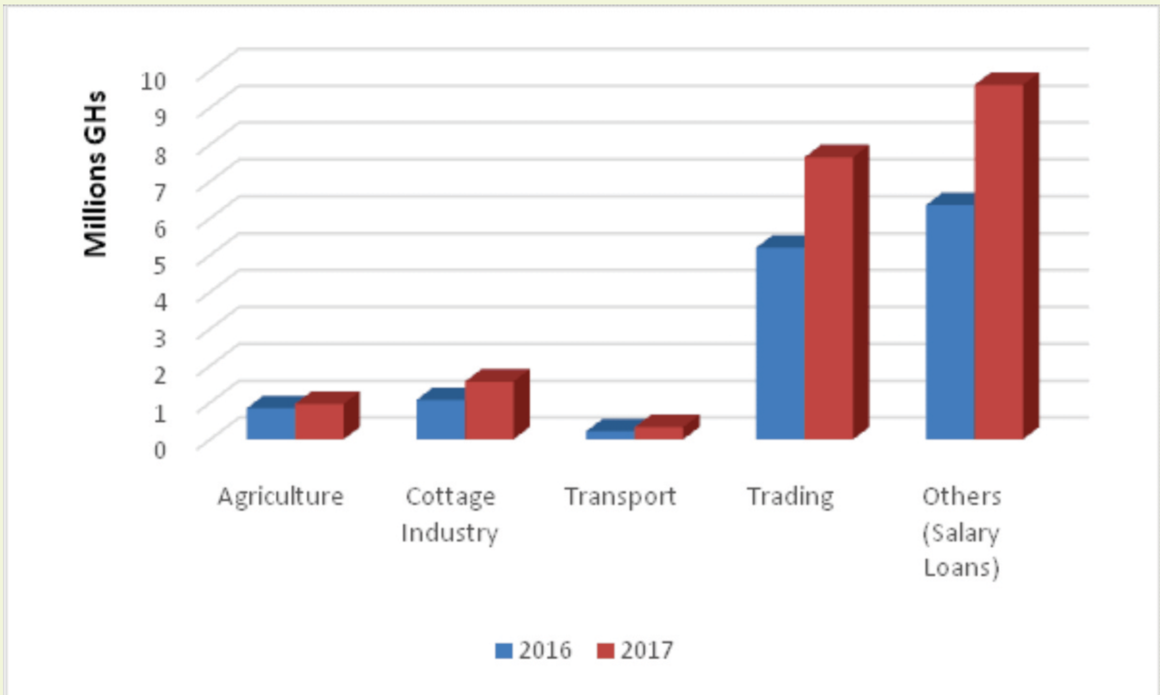


Table 3 – Breakdown of Loans Portfolio

Type of Loan	2017	2016	%
	GHS	GHS	Change
Agriculture	967,266	1,070,532	14.2%
Cottage Industry	1,571,808	1,346,798	46.5%
Transport	336,528	293,533	48.9%
Trading	7,657,526	6,561,323	47.2%
Others (Salary Loans)	9,618,256	7,994,454	51.3%
Total	20,151,384	17,266,640	47.0%

Figure 3 – Breakdown of Loans Portfolio



The key financial indicators show a relatively improved growth in the year under review.

3.1 Income and Expenditure

Total income, made up of interest income, commissions and fees and other operating incomes, improved significantly by 19.4% from GH¢9,270,397 in 2016 to GH¢11,073,340 in 2017, significantly contributed by loan interest income of GH¢6,198,670.00.

Total expenditure, including interest charge on deposits, operating expenses in 2016 and loan loss provision, increased by 17% from GH¢8,632,921 in 2016 to GH¢10,100,917 resulting in a pre-tax profit of GH¢972,423 being an increase of 52.5% against the 2016 pre-tax profit of GH¢637,477. After tax profit also increased by 52.5% from GH¢478,108 in 2016 to GH¢729,317 in 2017 as a result of increased interest income and other operating income.

3.2 Net Worth

Total assets increased by 16.7% from GH¢38,015,705 in 2016 to close the year at GH¢44,381,222 driven largely by growth in deposits. The net worth increased by 19.6% from GH¢3,541,199 in 2016 to close the year at GH¢4,237,374.

3.2.1 Stated Capital

The stated capital increased by 7.2% from GH¢1,178,151 in 2016 to GH¢1,263,100 in 2017.Currently the BOG is enforcing the regulatory Stated Capital for universal banks. Even though we have met the required stated capital of GHs1million Rural Banks may be called upon to do further increases just as commercial banks have been asked to do. In fact Micro Finance Institutions capital requirement is now GHs2 million.

4.0 Microfinance Operations

The Bank has products currently tailored to suit the needs of urban and rural micro-enterprises in the rural areas. The key products are deposits, susu loans and Credit and Savings with Education loans. In the urban centres, the key products are trewadwumamu and market stalls loans.

In the case of Market stalls 220 were acquired a couple of years ago. A limited number are still available in well located areas at Suame for acquisition on credit basis or outright purchase. Shareholders and customers that meet basic loan conditions may be granted fixed asset and working capital loans to purchase the stalls to support their businesses.

4.1Microfinance loan portfolio growth

Table 4a – Microfinance Loans

Type of Loan	2017 (GHS)	2016 (GHS)	Percent Increase
Group Loans Portfolio	1,723,798.11	2,765,631.00	-37.7%
Susu Loans Portfolio	3,956,178.88	3,334,204.00	18.7%
Total	5,679,976.99	6,099,835	18.9%

Table 4b – Total Disbursement

	2017 (GHS)	2016 (GHS)	Percent Increase
Total Disbursement	11,445,581.00	9,630,670.00	18.9%

The increase in disbursement was driven by the susu loan product. The group loan cycle is averagely 4 months and the loan repayment is quite good. The Bank has decided to increase the rate of disbursement to relatively matchup with the rate of repayments in the group loan category.

Figure 4 – Microfinance Loans

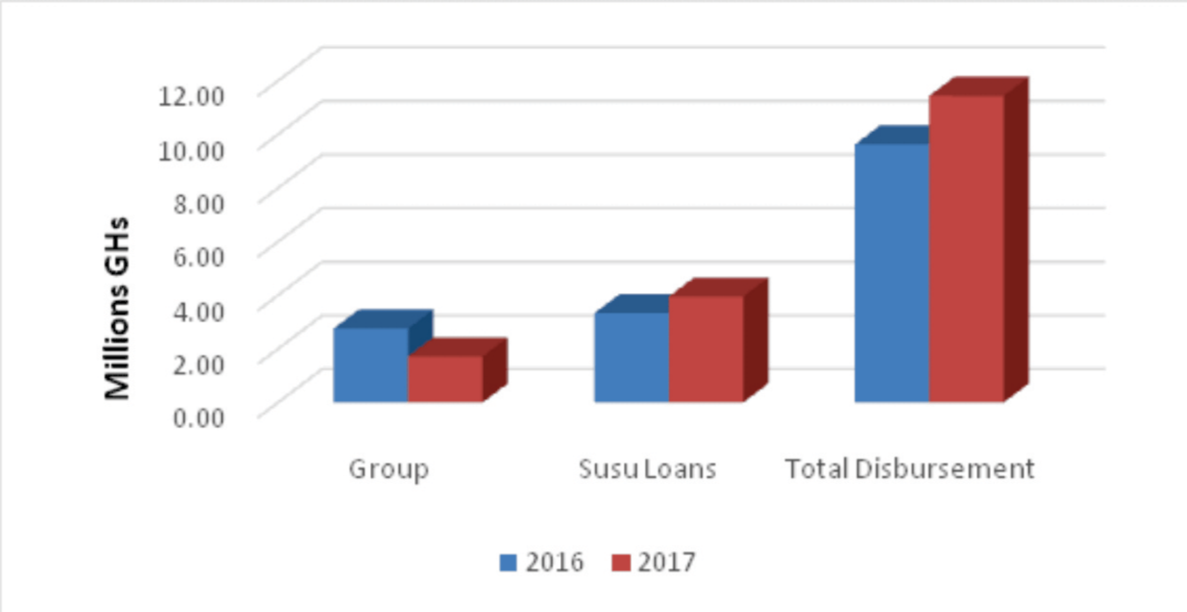


Table 5 _Susu Deposits growth

Year	2017(GHS)	2016(GHS)	Percent Change
	9,624,806	8,496,838.00	14%

As usual we rely on our Development partners, such as, the Rural Enterprises Programme (REP), Social Investment Fund (SIF) and ARB Apex Bank Ltd to continue to support us with on lending funds to supplement our funds in the disbursement of fixed assets and working capital loans to our micro enterprise clients. We appreciate their assistance and thank them immensely.

5.0 Information and Communication Technology

The Bank is at an advanced stage of changing its Core Banking Software Application to ensure improved business relations with our cherished customers. This software is expected to enable us reduce our turnaround time and also explore alternative channels such as:

a. Deployment of ATMs
b. Issue of visa cards to facilitate withdrawal any where in the world
c. More transparent Susu collection with instant SMS Alert of Susu Deposit
d. Internet banking which will allow access to your account even while overseas.
e. Use of ePassbook
f. Mobile Banking via mobile phones.
g. Ability to transfer cash to and from your Mobile Money wallet and bank account

Construction of a new Wide Area Network (WAN) and software installation have been completed and we are on course to complete migration to the new core banking software by December 2018.We recognize the delay in implementation which was due to unexpected technical hitches. These have now been resolved.

6.0 Branch and Archive Development

The following projects we planned to implement last year had to be slowed down to be implemented gradually. They are currently at various stages of development. The decision became necessary as we needed to focus more on serving our customers well through ICT deployment in an environment of intense competition in the Banking industry.

6.1 Tetrem Branch Relocation is currently at lintel level.

6.2 Bepoase Mobilization Centre Expansion is undergoing perfection of Documentation.

6.3 Tafo Savings Mobilization Centre (SMC) is left with painting, airconditioning and furnishing.

6.4 Rehabilitation of Archives Building at Wiamoase

Work is progressing steadily towards the completion of the six bedroom house at Wiamoase that was purchased by the Bank some years ago to resolve the accommodation problem the Bank is facing. When completed by December 2018 the General Manager will temporarily be housed in the building until the Bank renovates the General Manager's bungalow which for years has not seen any renovation works.

7.0 Funds Transfer

7.1 Funds transfer Products' Performance.

These products recorded some decrease in growth but the net effect was positive.
A total of ¢14,501,742.19 was transferred in 2017 as against GH¢9,196,492.76 in 2016 representing 57.69% increase as follows:

Table 5 - Funds transfer Products' Performance

Product	Year	2017 GH¢	2016 GH¢	Percent Change
Apex Link	Amount transferred	4,183,850.86	5,596,884.79	25.2%
Western Union	Amount Transferred(GH¢)	3,268,555.27	3,011,448.98	8.5%
Automated Clearing House (ACH)Transfers	Amount Transferred(GH¢)	5,459,935.62	188,728.32	2,790%
Money Gram	Amount Transfer GH¢	0	399,430.67	
MTN Mobile Money transfers	Amount transferred	1,589,400.44	0	
Total		14,501,742.19	9,196,492.76	57.7%

7.2 MTN mobile money.

The introduction of MTN mobile money transfer has resulted in the decline of Apex Link Money transfer as it appears MTN mobile money transfer is more flexible to use as compared to Apex Link Money Transfer. Customers therefore prefer Mobile Money transfer to Apex Link as shown in the table above.

7.3 e-Zwich

The Bank has in place at all the branches e-Zwich equipment. We make payments to School feeding programme customers, Zoomlion workers, National Service Personnel and LEAP beneficiaries. Remittances are also received by students from their parents through the same medium.

7.4 Introduction of Credit and Debit Transfer under Automated Clearing House (ACH)

The response to ACH improved significantly in 2017. We transferred GH¢5,459,935.62 to other universal banks through this medium from as low as GHs188,728 in 2016.

8.0 Expenditure on social responsibility

The Bank continues to provide support to communities and institutions within its catchments area. The Bank spent a total of GHS21,795.20on Corporate Social Responsibility in the following areas:

Table 6 - Expenditure on social responsibility

NO.	ITEMS	QUANTITY	AMOUNT GHS	ESTABLISHMENT DONATED TO	PURPOSE
1	Cement	50 Bags	1,540.00	Salvation Army J.H.S	School project
2	Nasco TV	2 Sets	1,705.20	Sekyere South and Afigya Kwabre Dist Ass.	Farmers Day
3	School fees	1 Student	90.50	Yamoah Isaac	To pay school fee at OASHS
4	Cash	-	2,514.50	Rebecca Foundation	To support the foundation
5	Cash	-	500.00	NCCE	To support NCCE for Quiz Contest on 1992 constitution
6	Cement	100 Bags	2,830.00	OKESS	To support school project
7	Groceries / Provisions	-	4,050.00	Nhyiaso and Nkontompo Ya m market Muslims customers	To support them during their fasting period
8	Cash	-	200.00	Sekyere South District Assembly	To support Girl Child Education
9	School fees	1 Student	1,000.00	Eric Akosah	To support his surgery at Nsawam
10	Cement	50 Bags	1,565.00	Ghana Adventist	To support church project
11	Cash	-	5,000.00	Wiamoase Town Council	During 2017 annual harvest
12	Metal Cabinet	1	800.00	Suame Divisional Police Command	To support their work.
			21,795.2		

10.0 Declaration of Dividends

My colleague shareholders the Directors recommended the payment of dividend of GHS243,106.00 or 0.00344Gp per share representing one third of the Bank's net profit after tax of GHS729,317 to shareholders whose names appeared in the register as at 31st December 2017.

The Bank's current dividend policy which is a third of net profit after tax is the best in the industry. Shareholders are therefore strongly encouraged to purchase the Bank's shares to earn handsome dividends. It must be noted however that if we do not get a positive response from shareholders in raising additional capital, Directors will propose a reduction in our dividend payout rate and also a retention of dividend in order to plough back same into stated capital. Also your Bank may be compelled to merge with other rural banks if we are unable to meet an increase in regulatory capital in future. The Bank is therefore targeting an increase in stated capital to a minimum GHs2 million by the end of 2020.

11.0 Summary Dismissals

The following former members of staff were summarily dismissed for committing various offenses:

NAME	DESIGNATION	BRANCH	OFFENSES
Augustine Osei-Bonsu	Recovery Officer	Head Office	Suppression of Recovery Deposit
Regina Boatemaa	Teller	Ash Town	Suppression of Customer's Deposit
Beatrice Asieduwaa	Mobile Banker	Kronum	Suppression of Customers' Deposit

The bank's strong internal control systems in place enabled us to quickly detect these offenses and were dealt with speedily. Customers are therefore notified not to deal with them in the name of the bank.

The following staff resigned from the bank during the year 2017

NAME	DESIGNATION	BRANCH	REASON FOR RESIGNATION
Adaru Mohamed	Finance Manager	Head Office	To join another bank
Agyenim-Boateng	Microfinance Manager	Head Office	To join another bank
Prince Adu-Gyamfi	Mobile Banker	Kronum	To join another Company
Afisata Ibrahim	Mobile Banker	Kronum	To join another institution
Linda AkomeaBonsu	Mobile Banker	Kronum	To join another institution
Yaa Agyemang	Mobile Banker	Agona	To join another institution
Elizabeth Asabi Boakye	Teller	Ashtown	To further her education
Fred Opoku Boateng	Branch Manager	Kronum	To do his own business

13.0 Appointment of New Members of Staff

Twelve (12) persons were recruited during the reporting period as follows:

- 8 Mobile Bankers
- 1 Security Officer
- 1 Company Secretary

We have also appointed a Deputy General Manager and a Credit Manager who have assumed duty at the beginning of this month subject to "no objection" by Bank of Ghana. This has become necessary to strengthen top management capacity in the face of the expanding Banking activity.

I therfore introduce to you:

Mr Paul Kwabena Oduro	-	Deputy General Manager
Mr Joseph Kwame Addai	-	Credit Manager

14.0 Retiring Directors

Two Directors, Mr. Kennedy Obiri-Yeboah and Lawyer Kwasi Bempa are due for retirement by rotation but are still eligible for appointment. They have expressed their willingness to be re-elected and the Board has no objection to their decision.

15.0 Conclusion

Fellow shareholders,

The current macro-economic conditions continue to present challenges and appears uncertain to the business environment. Under these conditions, more and more people become financially excluded. This should rather present opportunities to the Bank for deposit mobilization and for income generation from non-traditional sources. Also, as the financial industry continues to be competitive and dynamic so must good customer relationship come to the fore. The Board will continue to collaborate with Management to develop competencies and capabilities in customer care and risk management standards that will position us to withstand the effects of competition and macro-economic uncertainties.

We continue to thank Bank of Ghana, ARB Apex Bank Ltd, the Association of Rural Banks, both National and Ashanti Chapters, Social Investment Fund the Rural Enterprises Project and other Development Partners for the invaluable support they have been giving us. I also thank the shareholders, Management and staff for their commitment and co-operation and finally my colleague Directors for their co-operation in directing the affairs of the Bank in the year 2017.

Thank you. May the Almighty God bless you all.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF OKOMFO ANOKYE RURAL BANK LIMITED

Report on the Financial Statements as at 31st December 2017

In accordance with the Companies Act, 1963 (ACT 179), we have audited the accompanying financial statements of Okomfo Anokye Rural Bank Limited, which comprise the statement of financial position as at 31st December 2017, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 18 to 47.

Directors' Responsibility for the Financial Statements

The Bank's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Accounting Standards and in the manner required by the Companies Act,1963 (Act 179) of Ghana and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatements of the financial statements, whether due to fraud or error. In making these risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Okomfo Anokye Rural Bank Limited as at 31st December, 2017 and of its financial performance and its cash flows for the year ended in accordance with International Accounting Standards and the manner required by the Companies Act, 1963 (Act 179) of Ghana and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of the Companies Code, 1963 (Act 179) of Ghana

The Companies Act, 1963 (Act 179) requires that in carrying out our audit, we consider and report to you 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 purpose of our audit,

ii) In our opinion proper books of account have been kept by the bank, so far as appear from our examination of those books, and

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

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

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

We hereby state that:

I) The accounts give a true and fair view of the state of affairs of the bank and its results 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 auditors,
iii) The Bank's transactions are within its powers, and
iv) The Bank has complied with the provisions of the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930)

v) The Bank has also complied with the relevant provisions of the Anti-Money Laundering Act 2008 (Act 749), the Anti-Terrorism Act 2018 (Act 762) and the regulations made under these enactments as required by Section 85(2)(d) of Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

Signed by Yaw Owusu Broni
(ICAG/P/P1292)

For and on behalf of BRODAAY and Partners (ICAG/F/2013/025)
Chartered Accountants, Ahemansa House, Accra

Date: 28th June, 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER, 2017

	NOTE	2017 GHs	2016 GHs
Interest Income	4	10,660,714	8,867,728
Interest Expense	5	(1,760,959)	(1,375,612)
Net Interest Income		8,899,755	7,492,116
Other Operating Income	6	412,626	402,669
Net Operating Income		9,312,381	7,894,786
Operating Expenses	7	(8,240,064)	(7,160,447)
Impairment Loss		(99,894)	(96,862)
Operating Profit Before Tax		972,423	637,477
Provision For Company Tax		(243,106)	(159,369)
Net Profit After Tax Transferred to Income Surplus		**729,317**	**478,108**

INCOME SURPLUS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2017

	2017 GHs	2016 GHs
Balance as at 1st January	912,177	722,527
Profit For the Year	729,317	478,108
Transfer to Dividend Fund	(243,106)	(159,369)
	1,398,388	1,041,266
Transfer to Statutory Reserve Fund	(182,329)	(119,527)
Transfer to Social Responsibility Fund	(14,586)	(9,562)
	1,201,473	912,177
Transfer to Credit Risk Reserve	(438,714)	0
Statement of financial Position	762,759	912,177

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER, 2017

	NOTES	2017 GHs	2016 GHs
ASSETS			
Cash and Balances with Other Banks	8	4,367,785	4,095,587
Short term Investments	9	13,385,196	12,257,324
Loans and Advances	10	19,383,953	16,460,968
Other Current Assets	11	3,803,428	2,378,084
Long- Term Investments	12	61,971	61,971
Property Plant and Equipment	13	3,292,714	2,761,770
TOTAL ASSETS		**44,295,047**	**38,015,705**
LIABILITIES			
Deposits and Current Accounts	14	37,392,468	31,148,824
Other Liabilities	15	656,448	911,015
Borrowings from other Institutions	16	659,917	1,282,275
Provisions	17	1,348,839	1,132,390
TOTAL LIABILITIES		40,057,672	34,474,505
SHAREHOLDERS' FUNDS			
Stated Capital	18	1,263,100	1,178,151
Statutory Reserve Fund	19	955,451	773,122
Capital Surplus		265,281	265,281
Dividend Fund	20	442,702	397,747
Social Responsibility Fund	21	14,586	9,562
General Reserve		94,781	0
Income Surplus		762,759	912,177
MIDA Grant Fund		0	5,160
Credit Risk Reserve		438,715	0
TOTAL SHAREHOLDERS' FUNDS		4,237,375	3,541,199
TOTAL SHAREHOLDERS FUNDS & LIABILITIES		**44,295,047**	**38,015,705**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER, 2017

	Stated Capital	General Reserve	Statutory Reserve Fund	Social Resp Fund	Dividend Fund	MIDA Grant Fund	Credit Risk Reserve	Capital Surplus	Income Surplus	TOTAL
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
2017										
Balance as at 1 January	1,178,151	0	773,122	9,562	397,747	5,160		265,281	912,177	3,541,200
Share Purchase	84,949									84,949
Net Profit for the year									729,318	729,318
Transfers from Income Surplus To:										
Dividend Fund					243,106				(243,106)	
Statutory Reserve Fund			182,329						(182,329)	
Social Responsibility Fund				14,586					(14,586)	
Credit Risk Reserve							438,715		(438,715)	
General Reserve		94,781								94,781
Funds Utilization				(9,562)	(198,151)	(5,160)				(212,873)
Balance as at 31 December 2017	1,263,100	94,781	955,451	14,586	442,701		438,715	265,281	762,759	4,237,373
2016										
Balance as at 1 January	740,496	(66,023)	653,595	14,205	309,066	5,160		265,281	722,527	2,644,307
Share Purchase	437,655	66,023								503,678
Net Profit for the year									478,108	478,108
Transfer from Income Surplus					159,369				(159,369)	
Transfer to:										
Statutory Reserve Fund			119,527						(119,527)	
Social Responsibility Fund				9,562					(9,562)	
MIDA Grant Fund										
Funds Utilization				(14,205)	(70,689)					(84,894)
Balance as at 31 December 2016	1,178,151	0	773,122	9,562	397,747	5,160		265,281	912,177	3,541,199

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 GH¢	2016 GH¢
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	972,423	637,477
Provision for Depreciation	315,070	343,228
Other Non-Cash flow Transactions	(52,809)	(314,012)
Impairment Charge on Loans and Advances	99,894	96,862
Operating Profit Before Changes in Working Capital	1,334,578	763,555
CHANGES IN WORKING CAPITAL		
(Increase)/Decrease in Loans and Advances to Customers	(2,922,985)	(3,533,631)
(Increase)/Decrease in other Current Assets	(1,538,158)	(250,384)
Increase/(Decrease) in Customers' Deposits	6,243,644	6,242,328
Increase/(Decrease) in Other Liabilities	(170,434)	150,827
Increase/(Decrease) in Borrowings	(622,358)	(271,836)
Net Cash flow from Operating Activities	989,709	2,337,303
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Non-Current Assets	(846,015)	(635,431)
CASH FLOW FROM FINANCING ACTIVITIES		
Sale of shares	84,949	437,655
Treasury Shares	0	66,023
Dividend Paid	(198,151)	(70,689)
Net Cash Flow from Financing Activities	(113,202)	432,989
Net Increase in Cash and Cash Equivalents	**1,400,070**	**2,898,417**
Cash and Cash Equivalents At the Beginning of the Year	16,352,911	13,454,494
Cash and Cash Equivalents At the End of the Year	17,752,981	16,352,911
Analysis of Cash And Cash Equivalents		
Cash and Bank Balances	4,367,785	4,095,587
Short term Investments	13,385,196	12,257,324
	17,752,981	**16,352,911**

1 Reporting Entity

Okomfo Anokye Rural Bank Limited is a limited liability Company incorporated in Ghana under the Companies Act, 1963 (Act 179). The address of the registered office of the bank is Okomfo Anokye Rural Bank Limited, P.O. Box 13 Wiamoase, Ashanti. The bank is authorized and licensed by Bank of Ghana to provide all banking and related services, except dealings in foreign currency. Its head office is located at Wiamoase in the Sekyere South District of Ashanti Region with Eight (8) Branches at Wiamoase, Agona, Pankrono, Ashanti New Town, Suame, Kronum, Boaman and Tetrem. These branches are spread over four districts.

2 Basis of Preparation

a) Statement of Compliance

The financial statements of Okomfo Anokye Rural Bank Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention except as disclosed in the accounting policies.

b) Use of Estimates and Judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and the associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis.

c) Functional and Presentational Currency

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

3 Summary of Significant Accounting Policies

The significant accounting policies adopted by the Bank and which have been used in preparing these financial statements are as follows:

3.1 Revenue Recognition

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

i) Interest Income and Expense

Interest Income and expense are recognised in the statement of profit and loss and other comprehensive income for all financial instruments measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the instrument to the net carrying amount of the financial asset or liability.

ii) Commissions and Fees
Commissions and fees income is recognised as revenue upon completion of the act or service. Income arising from service fees such as special statement request and commission on turnover is recognised as the services are provided.

Loan commitment fees that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

iii) Other Income
This is made up of bad debts recovered and other miscellaneous income, and is recognised when they occur.

3.2 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, where appropriate, a shorter period, to the net carrying amount of the financial liability.

3.3 Financial Instruments
i) Initial Recognition and Subsequent Measurement
Date of recognition: Purchases or sales of financial assets that require delivery of a) assets within the time frame generally established by regulation or convention in the market place are recognized on the trade date i.e. the date that the bank commits to purchase or sell the asset.

b) Initial recognition of financial instruments: The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit and loss, any directly attributable incremental costs of acquisition or issue.

c) Financial assets and liabilities held for trading: Financial assets or financial liabilities comprise financial instruments held for trading other than derivatives are recorded in the statement of financial position at fair value. Changes in fair value are recognized in Net trading income according to the terms of the contract or when the right to the payment has been established. Included in this classification are debt securities, equities and short position in debt securities which have been acquired principally for the purpose of selling or repurchasing in the future

d) Financial assets and liabilities designated at fair value through profit or loss:
Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognized gains or losses on them on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a document risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in net gains or loss on financial assets and liabilities designated at fair value through profit or loss. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in other operating income when the right to the payment has been established.

e) Held to maturity financial investments
Held to maturity financial investments are those which carry fixed determinable payments and have fixed maturities and which the bank has the intention and ability to hold to maturity. After initial measurement, held-to maturity financial investments are subsequently measured at amortised cost using the effective interest rate method, less allowances for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in „interest income in the statement of profit or loss and other comprehensive income. The losses arising from impairment of such investments are recognized in the statement of profit or loss and other comprehensive income line „Impairment losses on financial investment‟.

f) Due from financial institutions and loans and advances to customers

Due from financial institutions and Loans and advances to customers are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified as "Financial assets held for trading", designated as financial investments available-for-sale or "Financial assets designated at fair value through profit or loss". After initial measurement, amounts due from financial institutions and loans and advances to customers are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. The amortised cost calculated by taking into account any discount on acquisition and fees and costs that are integral part of the effective interest rate. The amortization is included in "Interest income" in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognized in the statement of profit or loss and other comprehensive income in "Impairment charge".

g) Available for sale financial investments:

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and advances. It includes equity investments, investments in mutual funds and money market and other debt instruments. After initial measurement, available for- sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity in the "Available-for-sale reserve". When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the statement of profit or loss and other comprehensive income in "Other operating income" or "Other operating expenses". Where the bank holds more than one investment in the same security it is deemed to be disposed off on a first-in first-out basis.

Interest earned, whilst holding available-for-sale financial investments, is recognized in the statement of profit or loss and other comprehensive income as „Interest income‟ when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the statement of comprehensive income in "Impairment losses on financial investments" and removed from the available-for-sale reserve.

h) Borrowed funds

After initial measurement, borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

ii) Derecognition of financial assets and financial liabilities

(a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where;

the rights to receive cash flows from the asset have expired; or

the bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either

(a) The bank has transferred substantially all the risks and rewards of the asset, or

(b) the bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the bank has transferred its right to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the bank's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the bank could be required to repay.

(b) Financial liabilities

A financial liability is derecognized 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 of loss.

iii) Impairment of financial assets

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the bank uses to determine that there is objective evidence of an impairment loss include:

a. Delinquency in contractual payments of principal or interest;
b. Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
a. Breach of loan covenants or conditions;
b. Deterioration of the borrower's competitive position; and
c. Deterioration in the value of collateral;

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between 6 and 12 months.

(a) Due from financial institutions and loans and advances to customers

For amounts due from financial institutions and loans and advances to customers carried at amortised cost, the bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant (identified impairment). If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment (unidentified impairment).

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. Where there is objective evidence of impairment, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

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 statement of profit or loss and other comprehensive income. If a loan has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflect the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. Where there is objective evidence of impairment, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. 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 statement of profit or loss and other comprehensive income. If a loan has a variable interest rate, the discount rate for measuring impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflect the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the statement of comprehensive income. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Where possible, the bank seeks to restructure loans rather than to take possession of collateral.

This may involve extending the payment arrangements and the agreement of a new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews such renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective assessment, calculated using the loan's original effective interest rate.

(b) Held-to-maturity financial investments

For held-to-maturity investments the bank assesses individually whether there is objective evidence of impairment. 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 estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If in a subsequent year the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the "Impairment losses on financial investments".

(c) Available for sale financial instruments

For available-for-sale financial investments, the bank assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered objective evidence in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the statement of comprehensive income. Reversals of impairment of equity shares are not recognised in the statement of comprehensive income, increases in the fair value of equity shares after impairment are recognised directly in equity.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as all other financial assets. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of Interest Income. Reversals of impairment of debt securities are recognised in the statement of comprehensive income if in a subsequent year, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income.

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment if circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.4 Property, Plant and Equipment

The bank recognizes an item of property and equipment as an asset when it is probable that future economic benefits will flow to it and the amount meets the materiality threshold set by the bank. Property and equipment are stated at cost less accumulated depreciation and any improvement in value. Depreciation is provided on the depreciable amount of each component on a straight-line basis over the anticipated useful life of the assets. 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 disposable assets that the bank would currently obtain from the disposal of an asset in similar age and condition at the end of the useful life of the asset.

The current annual depreciation rates for each class of property, plant and equipment are as follows:

The fixed assets are depreciated as follows:

Land	No Depreciation
Freehold Buildings	2%
Equipment , Furniture & Fittings	15%
Motor Vehicles	20%
Computers and Accessories	25%
Leasehold improvements	10%
Work in Progress Assets	No Depreciation
Investment Property	No Depreciation

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

3.5 Taxation

Income tax charged to profit or loss account for the year was calculated as 25% on the profit for the year. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in shareholders' equity or other comprehensive income, in which case it is recognized in shareholders' equity or other comprehensive income. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Internal Revenue Act 2000 (Act 592) as amended.

Deferred income tax is recognised using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from the 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 for taxable profit or loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that the future taxable income will be available against which related tax benefits will be realized. Deferred tax assets are revised at each reporting date and are reduced to the extent that is no longer probable that the related tax benefit will be realized.

3.6 Employee Benefits
The bank contributes to a defined contribution scheme (Social Security Fund)

a) Social Security and National Insurance Trust (SSNIT) - Tier 1
Under a National Deferred Benefit Pension Scheme, the Bank contributes 13% of employee's basic salary to SSNIT for employees' 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.

b) Enterprise Trustees - Tier 2
Under a National Deferred Benefit Pension Scheme, the employees contribute 5.5% of their basic salary to Enterprise Trustees for pensions. The Bank's obligation is to the relevant contributions, which were settled on due dates. The pension liabilities and obligations, however, rest with Enterprise Trustees.

3.7 Provisions
Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is more likely that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

3.8 Dividend
Dividend approved is treated as an appropriation of profits in the year of approval, whilst dividend proposed is disclosed as a note to the financial statements. Dividend receivable from unquoted investments is recognized when the bank's right to receive the dividend is established and treated as investment revenue.

3.9 Borrowings
Borrowings by the bank are initially recognized at fair value and thereafter stated at amortized cost. Associated net transaction costs of borrowings are recognized in the statement of profit or loss and other comprehensive income over the maturity period of the borrowings.

3.10 Post Balance Sheet Events
Events subsequent to the balance sheet date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

3.11 Cash and Cash Equivalents
Cash and cash equivalents are recorded in the statement of financial position at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash balances and balances with other commercial banks.

3.12 Going Concern
Management assesses annually whether the bank is a going concern and if it would continue in business for the foreseeable future. In assessing going concern, management considers if there is any intention to liquidate or curtail materially the scale of operations or if it is aware of any material uncertainties that may cast significant doubt upon the banks' ability to continue as a going concern. Also, management takes into consideration if the bank has the necessary resources to continue in business for the foreseeable future.

3.13 Collateral and Netting
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 customers' 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 bank 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.

Netting, where financial assets and liabilities are offset and the net amount reported in the statement of financial position, occurs if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position.

		2017	2016
4	**Interest Income**	**2017**	**2016**
		GHS	**GHS**
	Loans and Advances	6,198,670	5,148,186
	Interest on Investments	3,434,831	2,879,144
	Commission & Fees	1,027,212	840,398
		10,660,714	**8,867,728**
5	**Interest Expense**	**2017**	**2016**
		GHS	**GHS**
	Interest on Savings	749,847	469,748
	Interest on Time & Other Deposits	796,024	683,446
	Interest on Borrowings	215,088	222,418
		1,760,959	**1,375,612**
6	**Other Operating Income**	**2017**	**2016**
		GHS	**GHS**
	Western Union	25,561	50,443
	Salary Service Charge	112,071	63,118
	Cheque Books and Stationery Charges	60,664	49,158
	Profit on Disposal of Fixed Assets	0	1,200
	Bad Debt Recovered	131,696	0
	Other Income	82,633	238,750
		412,625	**402,669**

		2017	2016
7	**Operating Expenses**	**GHS**	**GHS**
	Staff cost (Note 7a)	4,868,566	4,301,825
	Directors' Emoluments (7b)	148,064	114,700
	Other Operating Expenses (7c)	381,844	266,053
	Depreciation Expenses (Note 7d)	315,070	343,228
	Administrative Expenses (7e)	2,526,521	2,134,641
		8,240,064	**7,160,447**
7a	**Staff Cost**		
	Salaries & Wages	2,556,870	2,225,451
	Employer's SSNIT Contributions	300,480	266,739
	Staff allowances	644,116	502,039
	Other Staff Costs	1,367,100	1,307,596
		4,868,566	**4,301,825**
7b	**Directors Emoluments**		
	Directors' Siting Allowances	97,030	70,615
	Directors' Retiring Benefits	22,434	24,585
	Directors' Fees	28,600	19,500
		148,064	**114,700**
	Note:		
	Retainership-Lawyer Kwasi Bempa	**7,200**	**7,200**
7c	**Other Operating Expenses**		
	Cleaning & Sanitation	44,958	46,231
	Specie Movement	25,365	21,666
	Subscription & Periodicals	109,443	74,075
	Sundry Expenses	50,611	17,172
	Loan Recovery Expenses	31,125	24,894
	Bank Charges	50,556	18,278
	Legal Fees	15,275	7,200
	Donation & Anniversary/Dev.	44,432	47,659
	Cashiers Efficiency	9,251	6,192
	Loan Approval Committee	720	360
	Friday Wear Cost Amortisation	108	2326
		381,844	**266,053**

		2017	2016
7e	**Administrative Expenses**	**GHS**	**GHS**
	Postage & Telecommunication	88,037	65,887
	Printing & Stationery	105,183	91,910
	Audit Fees	17,625	17,625
	Auditing & Supervision Expenses	7,928	5,375
	Management & Staff meetings	23,306	19,127
	Business Promotion	129,148	56,658
	Electricity & Water	338,074	175,414
	Training & Recruitment Expenses	39,521	34,770
	Annual General Meeting	85,147	81,661
	Repairs and Maintenance	62,548	31,156
	Advertising & Publicity	32,353	8,182
	Software Maintenance	198,232	154,872
	Travelling & Transport	830,726	818,231
	Hotel Accommodation	3,200	
	Motor Vehicles Running Expenses	145,126	128,534
	Computer Consumables	36,457	
	Rent	98,560	49,922
	Rates		
	Police Guard	35,281	25,580
	Security Guard Expenses	115,551	147,433
	Insurance	60,214	45,478
	Generator Running Cost	74,306	100,400
	Deferred Expenditure Written off		76,427
		2,526,521	**2,134,641**

		2017	2016
8	**Cash & Bank Balances with Other Banks**	**GHS**	**GHS**
	Cash at Hand	1,129,728	1,502,966
	Bank Balances	3,238,057	2,592,621
		4,367,785	**4,095,587**

9 Short-Term Investments

	2017 GH¢	2016 GH¢
Government Securities & T-Bills with		
ARB Apex Bank	580,000	1,000,000
Beige Capital Bank	2,358,230	673,437
Ideal Finance	893,058	1,110,597
Progress Savings & Loans	1,588,642	579,781
Firstrust Savings & Loans	1,090,739	779,781
Frontline Capital Advisors	797,117	347,359
UTRAK Capital Management	1,272,153	965,199
Gold Coast Securities	2,695,279	2,417,035
NTCH LTD	0	2,737,860
SIC Financial Services	2,109,979	1,993,634
	13,385,196	**12,257,324**

10A Loans and Advances

	2017 GH¢	2016 GH¢
Loans	16,330,087	14,523,957
Overdrafts	3,959,432	2,742,684
	20,289,519	17,266,640
Less: Impairment charge	(905,566)	(805,672)
	19,383,953	**16,460,968**

10B Movement in Imparment

	2017 GH¢	2016 GH¢
Balance as at 1st January	805,672	708,810
Charge for the Year	99,894	96,862
Balance as at 31st December	**905,566**	**805,672**

11 Other Current Assets

	2017 GH¢	2016 GH¢
Sundry Debtors	424,453	26,723
Insurance Prepaid	42,086	0
Stationery Stock	107,915	112,732
Rent Prepaid	1,214,640	1,054,845
Loan Interest in Arrears	1,448,444	923,402
Deferred Expenditure	0	33,757
Tax Prepaid (GRA)	297,417	122,958
Stock of Friday wear	32,281	36,522
Sundry Receivables	21,775	5,435
E-Zwich Cash holdings	156,064	38,798
Interest Prepaid on Fixed Deposit	58,353	22,913
	3,803,428	**2,378,084**

12 Long Term Investments

Shares in Apex Bank	61,971	61,971

14 Deposits and Current Accounts

Demand Deposits	5,074,533	4,085,444
Savings Accounts	16,526,158	14,042,717
Time Deposits	15,791,777	13,020,663
	37,392,468	31,148,824

15 Other Liabilities

Payment Orders	233,045	331,633
Sundry Payables	71,728	3,727
Micro Finance Insurance Funds	1,493	3,216
Matching Grant Fund		15,000
E-zwich Operation Credit	1,924	2,616
Sundry creditors	28,550	3,114
Agency Clearing	(86,176)	109,600
Accrued Expenses	25,041	17,744
ARBLAS & ARBDAS Dues	2,930	640
Salary Workers' Unclaimed Salaries	134,060	180,134
Owing for Cheque Books	652	551
Suame Market Sheds Realization A/C	243,202	243,039
	656,448	**911,015**

16 Borrowings from other Institutions

	2017 GH¢	2016 GH¢
ARB - Apex Bank	122,554	208,558
Social Investment Fund	24,540	23,879
GN Long Term Loan	300,000	300,000
Danida Rural Finance Wholesale Fund	212,824	441,038
Rural Enterprise Project	0	308,800
	659,917	**1,282,275**

17 Provision

	2017 GH¢	2016 GH¢
Discount on Treasury Bills	792,823	755,339
Interest on Savings /Deposit	251,956	169,623
Cashiers' Efficiency	9,251	6,192
Audit Fees	17,625	20,125
Audit Expenses	7000	
Staff Retirement Benefits	14,546	11,125
Staff Long Service Awards	12,530	10,617
Provision for Corporate Tax	243,106	159,369
	1,348,839	**1,132,390**

	2017 GH¢	2016 GH¢
18 Stated Capital	1,263,100	1,178,151
Statutory Reserves Fund	955,451	773,122
Capital Surplus	265,281	265,281
Income Surplus	762,759	722,527
Current Earnings		637,477
Shareholders Dividend Fund	442,701	238,377
Social Responsibility Fund	14,586	
MIDA Grant Fund	0	5,160
General Reserve	94,781	
Credit Risk Reserve	438,714	
Shareholders' Fund	**4,237,373**	**3,820,096**

18a Stated Capital

I) Authorised Preference Shares	125,000	125,000
I) Authorised Ordinary Shares of No Par Value	5,000,000,000	5,000,000,000
ii) Issued Preference Shares	125,000	125,000
ii) Issued Ordinary Shares of No Par Value	70,471,752	66,224,952

		2017	2016
19	**Statutory Reserve Fund**	**GH¢**	**GH¢**
	Balance at 1 January	773,122	653,595
	Add: Transfer from Income Surplus	182,329	119,527
	Balance as at 31 December	**955,451**	**773,122**

Under Section 34 of the Banks and Specialized Deposit-taking institutions Act, 2016 (Act 930)

		2017	2016
20	**Dividend Fund**		
	Balance at 1 Jan	397,747	309,066
	Dividend Paid	(198,151)	(70,689)
		199,596	238,377
	Transfer from Income Surplus	243,106	159,369
	Balance at as 31 Dec	**442,702**	**397,747**

		2017	2016
21	**Social Responsibility Fund**		
	Balance at 1 January	9,562	14,205
	Add: Transfer from Income Surplus	14,586	9,562
		24,148	23,767
	Less: Amount Utilised during the year.	(9,562)	(14,205)
	Balance as at 31st December	**14,586**	**9,562**

In accordance with the Bank's policy, the Bank has transferred the prescribed portion of 2.0% of the net profit after tax for the year to Social Responsibility Fund .

13. PROPERTY, PLANT & EQUIPMENT

	Land	Freehold Buildings	Equipment Furniture & Fittings	Motor Vehicles	Computers & Accessories	Leasehold Improvements	WIP Assets	Investment Property	Fully Depreciated Assets	TOTAL
COST	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Balance as at 1/1/2017	35,549	525,641	627,211	207,460	515,901	681,662	407,344	855,097	411,071	4,266,936
Additions during the year	47,695		227,145		97,404		473,770			846,015
Disposal/Write Offs/Transfers										
Fully Depreciated			(61,793)	(86,475)	(240,068)	(63,638)			451,974	
Balance as at 31/12/2016	83,244	525,641	792,564	120,985	373,236	618,024	881,115	855,097	863,045	5,112,951
ACCUMULATED DEPRECIATION										
Balance as at 1/1/2017		71,662	366,006	93,575	361,854	201,000			411,071	1,505,166
Charge for the year		10,027	89,384	18,997	76,859	119,804				315,070
Disposal										
Fully Depreciated			(61,793)	(86,475)	(240,068)	(63,638)			451,974	
Balance as at 31/12/2017		81,688	393,597	26,097	198,644	257,166			863,045	
NET BOOK VALUE - 31/12/2017	83,244	443,953	398,967	94,888	174,593	360,859	881,115	855,097		3,292,714
NET BOOK VALUE - 31/12/2016	35,549	453,980	261,205	113,885	154,047	480,663	407,344	855,097		2,761,770

27 FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

The bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the bank's risk management are to identify all key risks for the banks, measure these risks, manage the risk positions and determine capital allocations. The bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the bank's financial performance. The bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

(b) Risk management structure

The Board of Directors have overall responsibility for the establishment and oversight of the bank's risk management framework. Under this framework, the Board has established a number of separate independent bodies responsible for managing and monitoring risks. These include, Loans and Advances Committee and Audit Committee which are responsible for developing and monitoring the bank's risk management policies in their specified areas. All Board committees report regularly to the Board of Directors on their activities. The bank's risk management policies are established to identify and analyse the risks faced by the bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Through its risk management structure, the bank seeks to manage efficiently the core risks to which it is exposed: credit, liquidity and market risks, which arise directly through the bank's commercial activities; and compliance, regulatory, and operational risks, which are normal consequences of any business undertaking.

27.1 Credit risk management

Credit risk is the risk of suffering financial loss, should any of the bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the bank. Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancements, financial guarantees, letters of credit, endorsements and acceptances.

The bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities (trading exposures), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single largest risk for the bank's business; the directors therefore carefully manage the exposure to credit risk. The credit risk management and control are centralised in a credit risk management team headed by the Head of Credit, which reports to the Board of Directors.

The bank has well documented policies and procedures for managing credit risk. The policies are based on the principle of: Management responsibility; Defined credit approval authorities; Set standards for risk management; Consistent approach to origination of credit, documentation and problem recognition; and Portfolio management strategies. The risk that counterparties might default on their obligations is monitored on an on-going basis. To manage the level of credit risk, the bank deals with counterparties of good credit standing and for which in its assessment the transactions are appropriate and risks understood by the counterparty.

27.2 Credit risk measurement

(a) Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

27.3 Risk limit control and mitigation policies

The bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved periodically by the Board of Directors. Lending limits are reviewed in the light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Some other specific control and mitigation measures are outlined below:

(a) Collateral

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:

-Mortgages over residential properties.

-Charges over business assets such as premises, inventory and accounts receivable.

-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.

(b) Impairment and provisioning policies

Loans are designated as impaired and considered non-performing where recognized weakness indicates that full payment of either interest or principal becomes questionable or as soon as payment of interest or principal is 90 days or more overdue. Where any amount is considered uncollectible, an individual impairment provision is raised, being the difference between the loan carrying amount and the present value of estimated future cash flows. In any decision relating to the raising of provisions, the bank attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

Where it is considered that there is no realistic prospect of recovering an element of an account against which an impairment provision has been raised, then that amount will be written off.

A portfolio impairment provision is also held to cover the inherent risk of losses, which, although not identified, are known through experience to be present in the loan portfolio. The provision is estimated by using the historical loss rate, the migration or incident rate and the balance of the performing loan portfolio. The portfolio impairment provision is set with reference to past experience using loss rates, and judgmental factors such as the economic environment and the trends in key portfolio indicators.

(c) Write-off policy

The bank writes off a loan balance (and any related allowances for impairment losses) when the bank determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Maximum exposure		
Credit risk exposures relating to on balance sheet assets	2017	2016
	GH¢	GH¢
Government Treasury bills	580,000	1,000,000
Fixed Term Placements	12,805,196	11,257,324
Loans and advances to customers	19,383,953	16,460,968
Other assets	3,889,603	2,378,084
At 31 December	36,557,249	31,096,376

The above table represents a worst case scenario of credit risk exposure to the bank at 31December 2017, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. As shown above, **52 .75%** of the total maximum exposure is derived from loans and advances, investments held in government treasury bills represents **1 . 5 9 % ,** Fixed Term Placements with financial institutions represents **35%** and Other Assets represents **10.64%**

At 31 December 2017, the bank's credit exposure were categorised as follows:

- Exposures that are neither past due nor impaired;
- Exposures that are past due but not impaired;
- and Individually impaired facilities

Market risk management

The bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

The market risks are monitored by Credit and Marketing Committee and regular reports are submitted to the Board of Directors.

a) Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The bank's Head of Risk Division is responsible for the development of detailed risk management policies and for day-to-day implementation of those policies.

b) Interest rate risk

Interest rate risk is the exposure of current and future earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors, including:

· differences between the timing of market interest rate changes and the timing of cash flows (re-pricing risk)

· changes in the market interest rates producing different effects on yields on similar instruments with different maturities (yield curve risk); and

· Changes in the level of market interest rates producing different effects on rates received or paid on instruments with similar re-pricing characteristics (basis risk).

The bank uses gap analysis to measure its exposure to interest rate risk. Through this analysis, it compares the values of interest rate sensitive assets and interest rate sensitive liabilities that mature or re-price at various time periods in the future. The bank may make judgmental assumptions about the behaviour of assets and liabilities which do not have specific contractual maturity or re-pricing dates.

27.6 Liquidity risk management

Liquidity risk is the risk that the Bank is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Bank will be unable to do so is inherent in all banking operations and can be affected by a range of institution- specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

a) Liquidity risk management process

To manage liquidity risk, the bank monitors its obligations and commitments by estimating the cash flows emanating from all assets and liabilities up to different maturities and by setting limits to the available liquidity in relation to the estimated liquidity requirements.

The bank's primary source of funding is through deposit mobilisation from businesses and individual clients. In addition, the bank can borrow short-term liquidity with a maturity of up to 12 months through money market operations.

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in Treasury Department, includes:

- day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or is borrowed by customers.

- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

- monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements; and

- managing the concentration and profile of debt maturities.

b) Liquidity risk measurement

The bank prepares and uses liability mismatch reports to manage funding needs. The weekly liquidity mismatch report is used to measure the ability of the bank to meet maturing liability obligations. This is supplemented by weekly cash flow reports produced to show the projected cash flow on a daily basis incorporating projected customer withdrawals, including credit disbursements, as well as deposits.

The deposit concentration ratio is monitored monthly to ensure that decisions of individual and or groups of depositors do not severely impact on liquidity.

Particular attention is given to wholesale borrowing. Due to their size, withdrawals of such funds tend to impact negatively on liquidity. As a rule, wholesale borrowing transactions are entered into as repurchase contracts where each transaction is collateralised with a Treasury bill or bond. Alternatively, such transactions are contracted to support specific credits in a back-to-back transaction.

The monthly deposit concentration report is examined as part of the Finance, Procurement and ICT Committee process and the necessary preventive/remedial action taken.

	0-3 months	3-6 months	6 -12 months	Over 12 months
	GHS	GHS	GHS	GHS
Cash and short term funds	4,367,785			
Due from financial institutions	13,385,196	14,151,676	14,380,412	12,257,324
Loans and advances	19,282,450	18,055,126	6,805,080	16,460,968
Other assets	3,889,603	3,887,064	3,614,674	2,378,084
Total financial Assets	40,925,034	36,093,867	34,800,166	31,096,376
Deposits and current accounts	37,392,468	34,566,547	34,537,960	31,148,824
Other liabilities	742,624			
Borrowings	659,917	1,302,979	954,381	1,282,275
Total financial liabilities	38,795,071	35,869,526	35,492,341	32,431,099
Net Liquidity (Gap)/Surplus	2,129,963	224,341	-692,175	1,334,726

c) Liquidity crisis management

Liquidity crisis is defined as a condition where the bank is unable to meet maturing liabilities/or regulatory reserve requirements due to inadequate liquid assets or a condition that arises from a sudden deterioration of the perceived safety and credibility of the bank resulting in substantial withdrawal of funds by depositors.

Management has put in place a Contingency Action Plan to manage liquidity crisis. The plan includes action points together with responsibilities for ensuring that steps are taken to manage the crisis.

d) Liquidity risk management

For the purpose of liquidity management, the bank does classify its assets according to their liquidity based on the following principles:

- remaining expected maturity
- ability for transformation into cash or cash equivalents
- ability to sell assets at the markets without significant price discounts
- Management's experience and expectations as well as the bank's best liquidity management practice

For the purpose of liquidity analysis, the term "highly liquid assets" includes all assets freely and easily convertible in cash within the following month. It includes the following
- Cash (notes and coins)
-Balances with other Financial Institutions
-Treasury bills and marketable securities (excluding those pledged)

-Investments / placements with financial institutions

27.7 Fair value of financial instruments
a) Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the bank's statement of financial position at their fair value:

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets	GHS	GHS	GHS	GHS
Cash and Bank Balances	4,367,785	4,095,587	4,367,785	4,095,587
Due from financial institutions	13,385,196	12,257,324	13,385,196	12,257,324
Loans and advances	20,151,384	17,266,640	19,383,953	16,460,968
Other assets	3,889,603	2,378,084	3,889,603	2,378,084
	40,925,035	35,191,964	40,925,035	35,191,964
Financial liabilities				
Customer deposits	37,392,468	31,148,824	37,392,468	31,148,824
Other Liabilities	742,624	911,015	742,624	911,015
Borrowings	659,917	1,282,275	659,917	1,282,275
	38,795,010	33,342,115	38,795,010	33,342,115

Due to the short term nature of the financial assets and liabilities, the carrying value approximates the fair value except **Loans and Advances**.

27.8 Operational risk

Operational risk refers to potential losses resulting from inadequate systems, management failure, faulty controls, fraud, and human errors. The bank seeks to ensure that key operational risks are managed timely and effective through a framework of policies, procedures and tools to identify, assess, monitor, and report such risks.

As part of risk control measures, the bank has the following insurance policies in place: Group personal accident, burglary, fire and bankers blanket insurance. These policies are in place to protect our business and to secure the investments of our cherished clients.

The bank's compliance and risk management functions supervise and direct the management of operational risks. They are also responsible for ensuring adequate and appropriate policies and procedures are in place for the management of operational risks.

Compliance and regulatory risk includes the risk of non-compliance with regulatory requirements. The compliance and risk management units are responsible for establishing and maintaining an appropriate framework of the bank's compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers.

28 OFF BALANCE SHEET ITEMS

a) Operating lease commitments

The bank currently has no long term operating lease. All operating lease payments made during the year relate to lease periods less than one year and are recorded in operating expenses.

b) Commitments

The bank had no commitment for Capital Expenditure outstanding at year end. (Dec 2016: nil)

29 COUNTRY ANALYSES

All assets and total liabilities of the bank are held inside Ghana.

30 COMPARATIVE FIGURES

Where necessary, figures within notes have been restated to either conform to changes in presentation in the current year or for the adoption of new IFRS requirement.

31 ANALYSIS OF SHAREHOLDINGS AS AT 31 DECEMBER 2017

The Bank had **70,471,752 issued** Ordinary Shares of no par value as at 31 December, 2017 distributed as follows:

Range of No of Shares	No of Shareholders	No. of shares	Percentage
1-1,000	4,347	29,204,624	41%
1,001-5,000	92	8,232,159	11%
5,001-100,000	20	19,660,260	27%
over 100,000	2	13,374,709	21%
	4,461	70,471,752	100%