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ANNUAL REPORT 2017

ARB APEX BANK

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GENERAL INFORMATION: Board of Directors

Mr. James Kwame Otieku	- Non-Executive Chairman
Osagyefo Amanfu Edu VI	- Non-Executive Vice Chairman
Mr. Anthony K. Forkah	- Non-Executive Member
Alhaji Fuseini Seidu	- Non-Executive Member
Nana Bram Okae II	- Non-Executive Member
Mr. Ronald Acquah-Arhin	- Non-Executive Member
Dr. Nana Akowuah Boamah	- Non-Executive Member
Mr. Yaw Odame-Darkwa	- Non-Executive Member
Ms. Yvonne Quansah	- Non-Executive Member
Mr. Larry Kwesi Jiagge	- Non-Executive Member
Dr. Philip Amakye	- Non-Executive Member
Dr. Joseph France	- Non-Executive Member
Mr. Kojo Mattah	- Managing Director

REGISTERED OFFICE	P.O. BOX GP 20321 Accra No. 5, 9th Road Gamel Abdul Nasser Avenue South Ridge, Accra
SECRETARY	Curtis William Brantuo ARB Apex Bank Ltd.
AUDITORS	Deloitte and Touché Chartered Accountants The Deloitte Place Plot No. 71, Off George Walker Bush Highway North Dzorwulu, P. O. Box GP 456, Accra, Ghana
BANKERS	Bank of Ghana, Accra Ghana International Bank PLC, London

REPORT OF THE DIRECTORS
TO THE MEMBERS OF ARB APEX BANK LIMITED

The directors present their report together with the audited financial statements of ARB Apex Bank Limited for the year ended 31 December 2017.

Statement of Directors' Responsibility

The directors are responsible for the preparation of the financial statements for each financial year, which gives a true and fair view of the state of affairs of the Bank. In preparing the financial statements, the directors have selected suitable accounting policies, applied them consistently, made judgments and estimates that are reasonable and prudent and have followed International Financial Reporting Standards and the provisions of the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act 2016, (Act 930).

The directors are responsible for ensuring that the Bank keeps proper accounting records that disclose with reasonable accuracy at any time the financial position, the financial performance and cash flows of the Bank. The directors are also responsible for safeguarding the assets of the Bank and taking reasonable steps for the prevention and detection of accounting fraud.

Nature of business

The ARB Apex Bank Limited is a Public Limited Liability Company incorporated under the Companies Act 1963 (Act 179) and owned by the Rural and Community Banks in Ghana. It has been licensed by the Bank of Ghana, through the ARB Apex Bank Ltd Regulation 2006 (LI 1825), to provide support services to the Rural and Community Banks (RCBs).

Results of operations

The results of operations for the year ended 31 December 2017 are set out in the statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows together with notes to the financial statements.

Activities

Operational Results	**2017 GH¢**	**2016 GH¢**
Profit/(loss) before taxation	**2,009,690**	(13,639,646)
Income tax credit	**2,449,960**	274,395
Profit/(loss) after tax for the year	**4,459,650**	(13,365,251)
Other Comprehensive income	**(104,720)**	49,056
	4,354,930	(13,316,195)

Signed on behalf of the Board by:

Director

Date: 26 March, 2018

Director

Date: 26 March, 2018

BOARD OF DIRECTORS

Mr. James Kwame Otieku
Board Chairman

Mr. Curtis William Brantuo
Board Secretary

Osagyefo Amanfu Edu VI
Vice Chairman

Mr. Anthony K. Forkah
Member

Alhaji Fuseini Seidu
Member

Nana Bram Okae II
Member

Mr. Ronald Acquah-Arhin
Member

Dr. Nana Akowuah Boamah
Member

Mr. Yaw Odame-Darkwa
Member

Ms. Yvonne Quansah
Member

Mr. Larry Kwesi Jiagge
Member

Dr. Philip Amakye
Member

Dr. Joseph France
Member

Mr. Kojo Mattah
Member

MANAGEMENT TEAM

Mr. Kojo Mattah
Managing Director

Mr. Alex Kwasi Awuah
Deputy Managing Director

Mr. Charles Pinkrah
Head, ICT

Mr. Richard Mettle Addo
Head, Projects & Credits

Mr. Kenneth Owusu-Twumasi
Head, Human Capital

Mr. Curtis W. Brantuo
Head, Legal & Compliance

Mr. Kwaku Acheampong Ababio
Head, Finance

Mr. Maxwell Donkor
Head, Banking Operations

Mr. Collins Ofori-Adu
Head, Internal Control

NOTICE OF ANNUAL GENERAL MEETING OF THE ARB APEX BANK LIMITED

NOTICE IS HEREBY GIVEN THAT the 16th Annual General Meeting of the ARB Apex Bank Limited will be held on Saturday, April 28, 2018 at 10:00 am at the Golden Tulip Hotel, Kumasi to transact the following business:

1. To receive the Chairman's statement and the Managing Director's report for the year ended 31st December, 2017.
2. To consider and adopt the Financial Statements of the Bank for the year ended 31st December, 2017 together with the reports of the Directors and Auditors thereon.
3. To ratify the decision of the Directors to source GHS100 million loan through a bond programme.
4. To ratify the appointment of Deloitte & Touche as the External Auditors of the Bank.
5. To authorize the Directors to fix the remuneration of the Auditors.
6. To fix the remuneration of Directors.

NOTES:

- In accordance with Regulation 24(2) of the Bank's Regulations, each Rural and Community Bank (RCB) shall be represented by its Chairman or a member of the Board with a duly sealed proxy form.
- A copy of the instrument appointing the proxy is herewith attached and for it to be valid for the purpose of the meeting, it should be completed and deposited at the Head Office of the ARB Apex Bank Limited No. 5, 9th Road, Gamel Abdul Nasser Avenue, South Ridge, Accra not later than 48 hours prior to the meeting.

DATED THIS 28TH DAY OF MARCH, 2018

BY ORDER OF THE BOARD

CURTIS W. BRANTUO
COMPANY SECRETARY

CHAIRMAN'S REPORT

Mr. James Kwame Otieku
Board Chairman

INTRODUCTION

Distinguished Shareholders, Fellow Directors, Ladies and Gentlemen, good morning to you all. It is a great pleasure to welcome you to the 16th Annual General Meeting (AGM) of the ARB Apex Bank Limited and to present to you the performance of your Bank for the 2017 financial year.

THE GLOBAL ECONOMY

There was widespread global economic recovery in 2017 across many developed economies on the back of increased consumer confidence and stronger momentum in demand.
In Sub-Saharan Africa, growth continued to pick up slowly as a result of a rebound in oil production in Nigeria and improvement in commodity prices. Cocoa and oil prices increased whilst price of gold continued its downward trend towards the end of 2017. These favourable external conditions impacted positively on the domestic economy through the financing and trade channels.

THE GHANAIAN ECONOMY

A business and consumer survey conducted in December 2017 by the Bank of Ghana showed that confidence remained high throughout 2017. This pointed to positive sentiments on growth prospects and general improvements in the economy.

Provisional Gross Domestic Product (GDP) estimates from the Ghana Statistical Service (GSS) indicated that the economy grew by 9.3 percent in the third quarter, up from 9.0 and 6.6 percent in the second and first quarters of 2017, respectively.

Although there were seasonal demand pressures on the local currency in the last two months of 2017, the local currency remained relatively stable against the major trading currencies throughout the year. Cumulatively, the Ghana cedi depreciated against the US dollar by 4.9 percent year-on-year.

Consumer price inflation broadly trended downwards in 2017, despite marginal surges in the course of the year. Inflation plummeted from 15.4 percent in December 2016 to 11.8 percent in December 2017. The drop in inflation was due mainly to declines in non-food components of the inflation basket and the relative stability of the exchange rate.

Overall, Ghana's economy put up a strong performance by recording an end of year growth of 8.5%.

THE BANKING INDUSTRY

The recent Assets Quality Review (AQR) undertaken by the Central Bank revealed that there was deterioration in the assets of some banks with high credit concentration in the energy sector. This resulted in additional provisions which impacted negatively on the capital adequacy of some banks. Despite the deterioration of asset quality, the banking sector as a whole continued to be liquid, profitable and solvent.

The Bank of Ghana also revised the minimum capital requirement of banks from GH¢120 million to GH¢400 million for both existing banks and new entrants as part of the plan to develop and strengthen the banking sector for national development.

Our rural and community banks (RCBs) were not spared as they were also required to raise their minimum capital from the GH¢500,000 to GH¢1.0 million by close of 2017. As I speak, about half of our RCBs have not met the minimum capital requirement. I wish to use this opportunity to urge the directors gathered here to make efforts to raise the minimum capital.

The quality of banks' loan portfolio continued to be of grave concern. According to Bank of Ghana, the Non-Performing Loans (NPLs) ratio, which is a measure of the industry's asset quality, increased to 22.7 percent in December 2017 from 17.3 percent in December 2016, with over half of these loans in the loan loss category.

THE BANK'S PERFORMANCE

Dear Shareholders, coming on the back of losses recorded last year which depleted our reserves as well as the declining interest rates, your Bank managed to make a modest profit. It is worth stating that over 80% of the Bank's revenue comes from interest related activities which makes the Bank overly sensitive to changes in interest rates.
The above conditions notwithstanding, your Bank managed to record improvement in most of the important financial indicators. A moderate profit after tax of GH¢4.4 million was recorded compared to the GH¢13.6 million loss recorded in 2016.
Other financial indicators recorded as at December 31, 2017 were as follows:

- The balance sheet grew by 19.1%, from GH¢273.9 million in 2016 to GH¢326.3 million in 2017.
- Total Deposits grew from GH¢231.9 million in 2016 to GH¢277.9 million in 2016, representing a growth of 19.8%.
- Shareholders' funds rose to GH¢29.1 million in 2017 as compared with GH¢24.8 million recorded in 2016, representing an increase of 17.3%.

I wish to state that the Board and the Management are working hard to diversify the income streams of the Bank in order to increase profits and improve shareholder value.

DIVIDEND

Distinguished Shareholders, your Bank is still recovering from the huge loss recorded in 2016. There is also the urgent need for the Bank to increase its capital base and this demands accumulation of profits over time. We, therefore, do not propose the payment of dividends for the year under review.

CORPORATE SOCIAL RESPONSIBILITY

The Bank continues to spend on corporate social activities. In 2017, an amount of GH¢43,300.00 (2016: GH¢54,300.00) was spent to support several worthy causes.

CHANGES TO THE BOARD

Distinguished Shareholders, Mr. Kojo Mattah was appointed as the Managing Director for the Bank during the year under review and became an automatic member of the Board. It is also worth mentioning that at least four of us will be retiring from the Board by the end of the year after serving the maximum two three-year terms.

OUTLOOK

On the global front, a shift toward protectionism in advanced economies could reduce global growth and trade, impede capital flows; and dampen market sentiment.

Ghana is expected to be one of Africa's fastest-growing economies in 2018. Domestic demand is set to improve amid falling inflation. It is expected that continued fiscal and monetary discipline would help strengthen investor confidence. Nevertheless, Ghana remains a commodities-led economy and still grapples with high budget deficit and high public debt levels. These present downside risks to the outlook.

The low-interest rate environment is expected to have a positive impact on financial intermediation as borrowing by the private sector and small and medium enterprises (SMEs) is expected to surge.

CAPITALISATION

The current level of capital of the Bank is woefully low and there is the need to shore up the capital of the Bank to commensurate the Bank's current level of risk. Presently, a capital plan to raise GH¢100 million is being studied by the Board. Our biggest constraint, however, is the restriction placed on us by the ARB Apex Bank Regulations 2006, (L.I. 1825) which limits shareholding to only RCBs. It is our hope that the revision of the regulations would remove this restriction and allow for the participation of other private and institutional investors.

ACKNOWLEDGEMENTS

I wish to sincerely thank my colleague Board members for their support and wish them well as this marks my last speech as the Chairman of the Board. I also thank the Management and staff of the Bank for their loyalty and hard work throughout the years. To our External Auditors, we value the healthy partnership and your dedication to our course.

Finally, I wish to thank you, our cherished Shareholders, for the unwavering confidence you have reposed in us.

Thank you for your attention.

THE MANAGING DIRECTOR'S REPORT

Mr. Kojo Mattah
Managing Director

INTRODUCTION

Mr. Chairman, Directors, distinguished shareholders, I wish to use this opportunity to welcome you all to this year's Annual General Meeting (AGM), to deliberate on the performance of the Bank for the 2017 financial year and to discuss the future direction for the Bank. I am also humbled but excited to present my maiden report since my appointment as Managing Director on June 1, 2017. The year under review was a very challenging one for the Bank, coming immediately on the heels of a not-too-healthy financial performance in 2016. We are happy to report that the Bank has returned to winning ways after a difficult 2016, which also witnessed some turbulence in the entire financial system of the country.

FINANCIAL PERFORMANCE

Your Bank made modest gains in the year under review as compared to the 2016 financial year. Total deposits for the period grew from GH¢231.9 million in 2016 to GH¢277.9 million in 2017. This represented a growth of 19.8%. Total assets grew by 19.0% from GH¢273.9 million in 2016 to GH¢326.4 million in 2017. Shareholders' funds also increased from GH¢24.8 million in 2016 to GH¢29.2 million in 2017, representing an increase of 17.7%. A profit after tax of GH¢4.4 million was achieved for the year under review, up from a loss of GH¢13.6 million recorded in 2016, representing an increase of about 132.0%.

CHEQUE CLEARING, CHEQUE CODELINE CLEARING (CCC) AND AUTOMATED CLEARING HOUSE (ACH)

The Bank maintained its status as the sole representative of all Rural and Community Banks (RCBs) at the on-line Bankers' Clearing House and guaranteed payment instruments of the RCBs. The total volume and value of cheques handled in 2017 were 170,732 with a value of GH¢3,323.1 million as compared to 180,440 cheques with a value of GH¢2,718.8 million recorded in 2016. Total ACH items handled during the period under review was 24,690 with a value of GH¢659.4 million. Despite efforts by the ARB Apex Bank at improving and upgrading the software, which runs the cheque clearing system, the RCBs continue to route their businesses through the commercial banks, which remain their single largest competitors.

REMITTANCE BUSINESS

Apexlink Product

Distinguished Shareholders, even though our star product 'Apexlink,' is facing stiff competition from other money transfer products such as Mobile Money, the product continues to enjoy good patronage from the public. As a way of improving its acceptability as an alternative to mobile financial services being offered by the telecommunications companies, management has reviewed downwards, commissions for transaction amounts below GH¢500 on the Apexlink. The number of transactions for Apexlink dipped from 124,769 valued at GH¢483.1 million in 2016 to 81,308 transactions valued at GH¢457.6 million in the year under review.

Foreign Inward Remittances

Dear Shareholders, we continue to grow the foreign inward remittance business with our partners Western Union, Moneygram International and Unity Link.

Transaction counts for Western Union in the year under review was 235,414 valued at GH¢225.0 million as compared with 247,700 transaction counts recorded in 2016 valued at GH¢213.9 million.

The total volume of Moneygram transactions for the year under review was 89,893 with a value of GH¢82.6 million compared with 90,165 with a value of GH¢69.8 million recorded in 2016.

Business from Unity Link picked up considerably from 2,774 transactions with a value of GH¢2.3 million recorded in 2016 to 8,265 transactions with a value of GH¢8.5 million in 2017.

We want to appeal to managers of RCBs to ensure strict compliance in the payment of foreign remittances to avoid 'call back' of funds which will invariably lead to a burden on your profit or loss account.

LEVERAGING OUR NUMBERS

We have initiated moves to ensure that all the RCBs operate from a common, networked platform. If all RCBs operate on a common networked platform, this would mean that the ARB Apex Bank and RCBs would become the largest networked bank in the country. We can then compete more favourably in the market. We have invited those banks which have exited the platform to come back. We are also encouraging those banks which have yet to come on the core banking platform to expedite their efforts. We are doing all these because we are convinced that it is cost effective and beneficial for the banks to operate from a common platform as it would enable the RCBs to develop and deploy common products to our valued customers. We believe that in the financial intermediation space, bigger is better when done properly. Therefore, let us all come together so that we can truly compete.

IMPROVEMENT IN SERVICE QUALITY

In the year under consideration, we have also initiated concrete moves to improve upon service quality across all the RCBs. As part of this strategy ARB Apex Bank has started the process to facilitate the rebranding and/or refreshing of all RCBs brands. We are also developing a customer service standard, which would be shared with the RCBs. These two strategies would allow us to withstand competition from all angles. We believe this is key because, if our branches are standardized and our front-line associates (FLAs), have the requisite product knowledge and are customer centric, customers would be happy walking into any RCB banking hall to access banking services.

IMPROVEMENT IN DECISION MAKING

Mr. Chairman, I wish to inform you that we have decided to engage more and improve involvement of the RCBs in all decision making processes. It is against this backdrop that we have included ten representatives of RCBs in our new products and channels development committee. It is also worth noting that RCBs were involved in the renegotiation of the bandwidth cost earlier this year. It is our belief that this would improve transparency and enhance the trust between the ARB Apex Bank and the RCBs.

NEW PRODUCTS AND CHANNELS DEVELOPMENT

Competition in the banking industry today is driven by product innovation and service differentiation. Banks which are making the required profits are those who deploy differentiated products. In order to keep the RCBs competitive, the management of ARB Apex Bank has taken the initiative to constitute a New Products and Channels Development Committee. The Committee comprises a cross-functional set of people from ARB Apex Bank, RCBs and consultants. The diversity of the membership was aimed at enriching the quality of the group. The group has been inaugurated and has held its maiden retreat at the Ensign College of Public Health in the Eastern Region. It is believed that the group would develop bespoke products and channels, which would be owned by the RCBs.

THE RURAL BANKER

Mr. Chairman, we have introduced a quarterly magazine christened 'The Rural Banker', which is expected to serve as the mouthpiece of all RCBs and the ARB Apex Bank. The maiden edition, which was released to coincide with this year's AGM has been packaged for Board Chairpersons and Directors of all RCBs here to take to their respective banks. RCBs would receive copies proportionate to their number of branches. In this maiden edition, we have deliberately sought to highlight activities of RCBs. It features interviews and articles from Atwima Kwanwoma and Odotobiri Rural Banks and articles from staff of other RCBs. We are also offering advertising space in the magazine at a highly subsidised rate for all RCBs. It must be noted that consideration for the publication of advertisements, stories, and feature articles in the magazine would be made on first-come first-served basis only. The Editorial Team is already compiling contributions for the second quarter edition, which should be out in print and also available for free download through the QR code on our website at www.arbapexbank.com. I humbly urge all directors to encourage their banks to submit articles and stories to the editorial team for publication. We are hoping to use this medium and many other platforms to tell the RCB story in very compelling and positive ways.

NEW CHANNELS

In the years ahead, your Bank would expand the coverage of the Automated Teller Machines (ATMs) and the issuance of cards to more RCBs and their clients. This would tie in perfectly with government's agenda of moving the country to a cash-light economy. We are also determined to reduce our transaction costs and increase convenience to our customers through our Agency Banking strategy, which will see the deployment of Point-of-Sale (POS) terminals to small and medium enterprises throughout the country. This, we believe, would significantly reduce our investment costs in brick and mortar branches while at the same time, providing real banking convenience to our valued customers.

STAFF MATTERS

The Bank is going through a restructuring phase to position itself to deliver excellent and quality services to the RCBs. A new five-year strategic plan spanning 2019 to 2023 would therefore be rolled out in 2019. A key focus of the strategic plan would be improvement on our service delivery and the introduction of bespoke products for the customers of RCBs to address the challenges posed by the requirements of modern day banking. A new and proactive relationship has also been forged with the workers' representatives to ensure a harmonious working environment at the Bank.

The staff strength of the Bank as at year-end 2017 stood at 161 after the retirement of one branch manager in November. Two members of staff have retired this year, while two others would also retire by the end of 2018. Of the two that retired earlier in the year, I regret to inform you of the death of Mr. Richard Mettle Addo, the immediate past Head, Projects & Credit Department who passed away on March 19, 2018.

OUTLOOK FOR 2017

Distinguished Shareholders, Ladies and Gentlemen, after the completion of all major projects in 2017, your Bank will be focusing on raising the image of the rural banking industry to make it the main driving force for the development and transformation of our rural economy by supporting Government's flagship industrialization projects such as the One-District-One-Factory (1D1F) to ensure financial inclusion for all. We appeal to all directors to support the new direction of the Bank to enhance our relationship with the RCBs. It is our fervent belief that we can leverage on our collective efforts for bigger achievements.

CONCLUSION

I wish to take this opportunity to express my sincerest thanks to the Board of Directors of the ARB Apex Bank for their leadership and direction. I also wish to thank all Directors of the RCBs for your support and cooperation and also all our shareholders, customers and other stakeholders for your faith in our Bank. I thank the members of my management team and the staff for their patience and buy-in of all the innovations we are bringing on board.

Thank you.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ARB APEX BANK LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of ARB Apex Bank Limited which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flow for the year then ended, and the notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of ARB Apex Bank Limited as at 31 December 2017 and the financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, and in the manner required by the Companies Act, 1963 (Act 179), and the Banks and Specialized Deposit-Taking Institutions Act 2016, (Act 930).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the requirements of the International Federation of Accountants Code of Ethics for Professional Accountants (IFAC Code) as adopted by the Institute of Chartered Accountants Ghana (ICAG) and we have fulfilled our other ethical responsibilities in accordance with IFAC Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matters	How our audit addressed the key audit matter
Loan Loss Provision	
The Bank carries out an impairment of its loans and advances in compliance with IAS 39 – Financial Instruments: Recognition and Measurement, which requires the amount of loss to be measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the loan asset's original effective interest rate. The Bank reviews its loans and advances for impairment at the end of each reporting period. Due to the judgements made in the following areas; - Percentage of realisation	We evaluated and tested the design, implementation and operating effectiveness of the key controls over the computation of impairment loss. In performing the tests of controls, we considered the appropriateness of the control considering the nature and significance of the risk, competence and authority of person(s) performing the control, frequency and consistency with which the control is performed. We performed an evaluation of management's key assumptions over specific impairment calculation, including the calculation methodology and the realizable value of collaterals and expected period of

Key Audit Matters	How our audit addressed the key audit matter
Loan Loss Provision	
- Years to realisation - Emergence period Due to the significant judgements that are applied by management in determining whether an impairment loss has occurred we considered this to be a key audit risk. In addition to specific provisions against individually impaired loans and advances, the Bank also makes a collective impairment against the remainder of the loans and advances in relation to which specific impairment losses have not been made. We focused on this area, since the determination of the amount of the collective provision is an estimation process which is based on historical loss experience and therefore involves significant judgement. The Bank is also required to compute loan provision in accordance with the Bank of Ghana (BOG) prudential guidelines. There is the risk of inappropriate classification of loans and advances in accordance with BOG's guidelines that results in inaccurate loan impairment computations. The Bank is also required to make transfers from income surplus to regulatory credit risk reserve based on the excesses of IFRS impairment and Bank of Ghana provision. The disclosures relating to impairment of loans and advances to customers which are included in notes to the financial statements are considered important to the users of the financial statements given the level of judgement and estimation involved.	realization of the collaterals. We determined whether the short-term investments which were used as collaterals were suitably valued and up to the quantum of the loan amount and that the Bank had lien over the collaterals. We tested the adequacy of the collective loan loss provision by evaluating the assumptions and historical loss rates used by management in the calculation of the collective impairment provision. We considered geographic sectorial statistics and current economic and other relevant conditions, including changes in factors such as lending policies, nature and volume of the portfolio, volume and severity of recently identified impaired loans. We found that the assumptions used by management were comparable with historical performance and have been assessed as reasonable. We considered the disclosure of loan impairment to be appropriate and adequate. We further assessed also as appropriate the classifications of the Bank's loans and advances in accordance with Bank of Ghana, prudential guidelines and the transfer of any excess provision over the IFRS computed provisions to the regulatory credit Risk Reserve.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, including the CEO and the Board Chairman's statements, which we obtained prior to the date of this auditor's report and the integrated report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Bank's Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit – Taking Institutions Act 2016, (Act 930); and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

The Companies Act, 1963 (Act 179) requires that in carrying out our audit work we consider and report on the following matters.

We confirm that:

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

ii) The Bank has kept proper books of account, so far as appears from our examination of those books.

iii) The Bank's financial position and its statement of profit or loss and other comprehensive income are in agreement with the books of account and returns.

The Banks and Specialised Deposit – Taking Institutions Act 2016, (Act 930) Section 85 (2) requires that we state certain matters in our report. We hereby state that;

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

(b) We obtained all the information and explanations required for the efficient performance of our audit;

(c) The transactions of the Bank are within its powers;

(d) In our opinion the Bank has generally complied with the provisions of the anti-money laundering Act, 2008 (Act 749), the Anti –Terrorism Act, 2008 (Act 762) and the regulations made under these enactments and,

(e) The Bank has generally complied with the provisions of the Banks and Specialised Deposit – Taking Institutions Act 2016, (Act 930).

The engagement partner on the audit resulting in this independent auditor's report is Kwame Ampim-Darko (ICAG/P/1453)

Deloitte & Touche

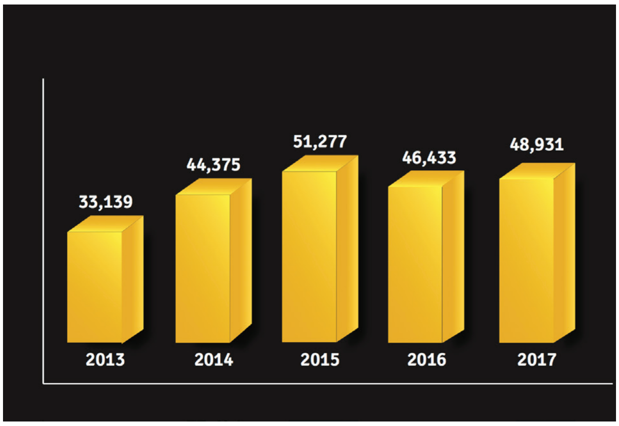
For and on behalf of Deloitte & Touche (ICAG/F/2018/129)
Chartered Accountants
Plot No.71, Off George Walker Bush Highway
North Dzorwulu
Accra Ghana

5 April
.... **2018**

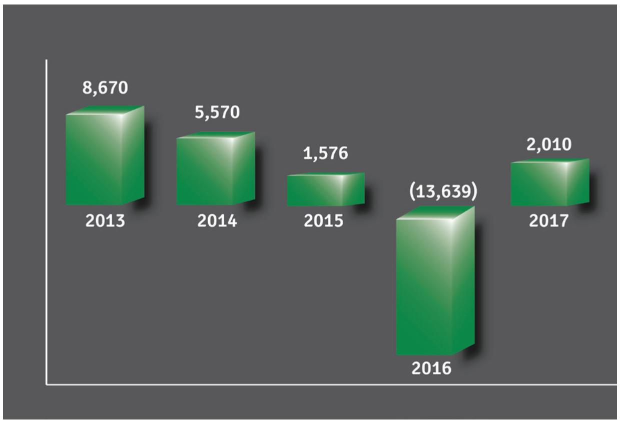
FINANCIAL STATEMENTS
31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

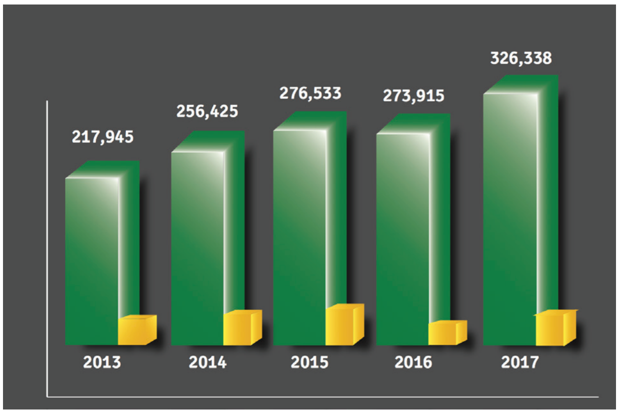
OPERATING INCOME - (GH ¢'m)



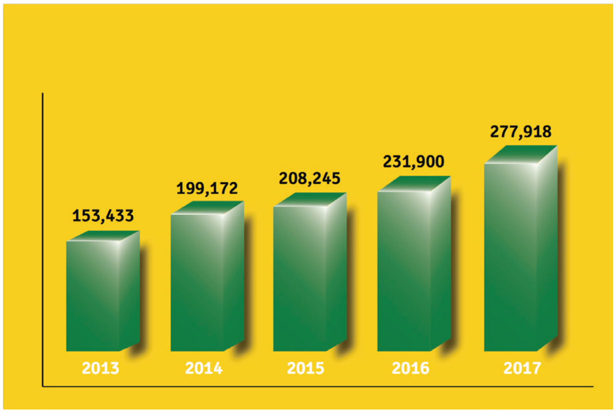
PROFIT BEFORE TAX - (GH ¢'m)



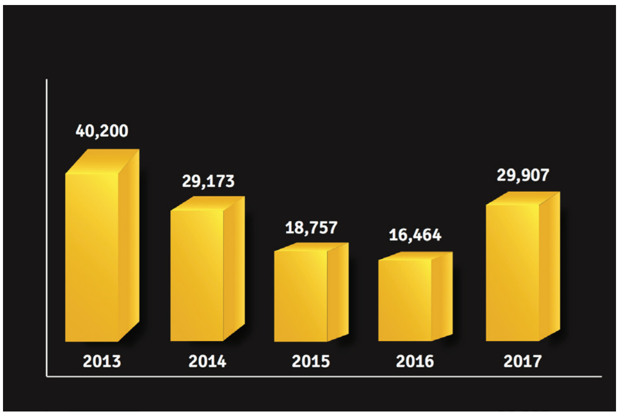
TOTAL ASSETS AND SHAREHOLDERS' FUNDS - (GH ¢'m)



DEPOSITS - (GH ¢'m)



LOANS & ADVANCES- (GH ¢'m)



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017	2016
		GH¢	GH¢
Interest Income	3	49,972,120	44,709,605
Interest expense	4	(11,129,422)	(7,759,405)
Net interest income		38,842,698	36,950,200
Fees & commission income		4,704,413	4,361,529
Fees & commission expense		-	(198,166)
Net fee and commission income	5	4,704,413	4,163,363
Net trading income	6	2,840,075	2,552,463
Other operating income	6b	2,544,111	2,767,329
Total operating income		48,931,297	46,433,355
Net Impairment loss on financial asset	7	(176,913)	(977,405)
Net operating Income		48,754,384	45,455,950
Personnel expenses	8	(26,532,575)	(28,449,047)
Operating lease expenses	9(b)	(524,921)	(641,082)
Depreciation and amortisation	17	(3,886,776)	(5,295,741)
Other operating expenses	9	(15,800,421)	(24,709,726)
Total operating expenses		(46,744,693)	(59,095,596)
Profit /(Loss) before tax	10(a)	2,009,690	(13,639,646)
Income tax credit		2,449,960	274,395
Profit /(Loss) for the period		4,459,650	(13,365,251)
Other comprehensive Income			
Items that will not be reclassified subsequently to profit or loss			
Gain/(loss) on post-retirement medical benefits (net)	21b	(104,720)	49,056
Total comprehensive income for the year		4,354,930	13,316,195
Profit /(Loss) for the year attributable to Owners of the bank		4,354,930	(13,316,195)
Earnings per share			
Basic earnings per share	11	0.43	(1.30)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

Assets	Notes	2017 GH¢	2016 GH¢
Cash and cash equivalents	12	**181,225,544**	155,354,413
Investment securities	15	**62,791,396**	55,420,214
Loans and advances to customers	14	**29,907,290**	16,464,372
Investments (other than securities)	13	**3,669,199**	3,069,530
Corporate tax assets	10d	**485,887**	436,372
Deferred tax assets	10c	**2,550,445**	-
Intangible assets	17c	**3,296,563**	2,870,446
Other assets	16	**28,493,726**	24,833,266
Property, plant and equipment	17a	**14,016,726**	15,466,219
Total Assets		**326,436,776**	273,914,832
Total liabilities and equity			
Liabilities			
Deposits from banks	18	**249,930,404**	226,663,617
Deposits from customers	18(b)	**27,987,990**	5,236,817
Government grant	19	**2,481,045**	2,588,787
Other liabilities	20	**16,822,316**	14,612,220
Total liabilities		**297,221,755**	249,101,441
Equity			
Issued capital	24	**9,140,190**	9,093,490
Income surplus		**8,038,016**	4,513,210
Statutory reserves	25	**11,866,205**	11,308,749
Credit risk reserves	26	**377,388**	-
Other Reserves	27	**(206,778)**	(102,058)
Total Equity		**29,215,021**	24,813,391
Total Liabilities and Equity		**326,436,776**	273,914,832

....
Director

26 March 2018
....
Date

....
Director

26 March 2018
....
Date

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2017

Assets	Stated Capital	Income surplus GH¢	Regulatory credit risk reserves GH¢	Other Reserves GH¢	Statutory reserves GH¢	Total GH¢
Balance as of 1 January 2017	**9,093,490**	**4,513,210**	-	**(102,058)**	**11,308,749**	**24,813,391**
Profit for the year	-	4,459,650	-	-	-	**4,459,650**
Other comprehensive income	-	-	-	(104,720)	-	**(104,720)**
Total comprehensive income	**9,093,490**	**8,972,860**	-	**(206,778)**	**11,308,749**	**29,168,321**
Transfer from statutory reserves	-	(557,456)	-	-	557,456	-
Transfer to regulatory credit risk reserve		(377,388)	377,388		-	
Shares Issued	46,700	-	-	-	-	**46,700**
						-
Balance as of 31 December 2017	**9,140,190**	**8,038,016**	**377,388**	**(206,778)**	**11,866,205**	**29,215,021**

	Stated capital GH¢	Income surplus GH¢	Regulatory credit risk reserve GH¢	Other reserve GH¢	Statutory reserve GH¢	Total GH¢
Balance as of 1 January 2016	9,044,290	17,878,461		(151,114)	11,308,749	**38,080,386**
Loss for the year	-	(13,365,251)	-	-	-	(13,365,25)
Other comprehensive income	-	-	-	49,056	-	49,056
Total comprehensive income	9,044,290	4,513,210	-	(102,058)	11,308,749	24,764,191
	-	-	-	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-
Transfer from regulatory credit risk reserve	-	-	-	-	-	-
Shares Issued	49,200	-	-	-	-	49,200
Balance as of 31 December 2016	9,093,490	4,513,210	-	(102,058)	11,308,749	24,813,391

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 GH¢	2016 GH¢
Cash Flows From Operating Activities			
(Loss) /Profit before taxation		**2,009,690**	(13,639,646)
Adjustments for:			
Depreciation and amortisation		**3,886,776**	5,295,741
Impairment on financial assets		**176,913**	977,405
Actuarial (gains)/loss		**(104,720)**	49,056
Notional Interest income		**(1,471,559)**	(1,221,964)
(Profit)/loss on disposal of property, plant and equipment		**(23,021)**	60,744
Capital grant amortisation		**(107,742)**	(107,734)
		4,366,337	(8,571,743)
Change in loans and advances to customers		**(12,747,941)**	2,006,049
Change in other assets		**(3,660,460)**	1,238,482
Change in deposits from banks		**23,266,787**	22,941,689
Change in deposits from customers		**22,751,173**	713,610
Change in other liabilities and provisions		**2,210,096**	(12,639,384)
		36,035,992	5,688,703
Income tax paid		**(150,000)**	-
Net cash generated from operating activities		**36,035,992**	5,688,703
Cash Flows From Investing Activities			
Purchase of investing securities		**(7,371,182)**	3,278,201
Purchase of property, plant and equipment		**(3,300,657)**	(7,629,367)
Proceeds from the sale of property and equipment		**48,706**	207,593
Purchase of intangible assets		**(717,384)**	(55,791)
Transfers of PPE & intangible assets		**1,128,955**	14,655
Net cash flows used in investing activities		**(10,211,562)**	(4,199,364)
Financing Activities			
Proceed from share issue		**46,700**	49,200
Net cash flows generated from financing activities		**46,700**	49,200

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017 CONT'D

	Notes	2017 GH¢	2016 GH¢
Net Increase / (decrease) in cash and cash equivalents		**25,871,131**	1,538,539
Cash and cash equivalents at 1 January		**155,354,413**	153,815,874
Cash And Cash Equivalents as at 31 December	**25**	**181,225,544**	155,354,413

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. CORPORATE INFORMATION

1.1 Activities

The ARB Apex Bank Limited is a mini Central Bank in Ghana for the Rural/ Community Banks (RCBs) financed mainly through the Rural Financial Services Project (RFSP), which is a Government of Ghana project to holistically address the operational bottlenecks of the rural financial sector with the aim of broadening and deepening financial intermediation in the rural areas.

The ARB Apex Bank Limited is registered and incorporated in Ghana as a public limited liability company under the Companies Act, 1963 (Act 179) to provide corporate loans to rural banks, monitor their operations and serve as a primary dealer in the purchase of investment instruments on their behalf.

2.0 BASIS OF PREPARATION

Presentation of Financial Statements

The bank presents its statement of financial position broadly in order of liquidity. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a current legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the bank.

The financial statements have been presented in Ghana Cedi (GHS) which is the functional currency and under the historical cost convention (unless otherwise stated).

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as issued by the International Accounting Standards Board (IASB).

2.1 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Bank's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the financial statements. The most significant uses of judgment and estimates are as follows:

Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors described in the next paragraph and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

The impairment loss on loans and advances is disclosed in more detail in Note 14.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. Tax losses can be used indefinitely.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies applied by the Bank in preparing its financial statements:

2.2.1 Property, plant and equipment

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

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is provided on the depreciable amount of each asset on a straight-line basis over the anticipated useful life of the asset. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the Bank would currently obtain from the disposal of an asset in a similar age and condition as expected 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:

Furniture and fittings	15%
Plant and equipment	20%
Land and building	2%
Computer software	20%
Computers and accessories	33.33%
Motor vehicles	20%

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

The carrying values of property, plant and equipment are reviewed for indications of impairment annually, or when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

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

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

The amount to be capitalized in respect of rented property is all cost incurred in improving and adapting the property to the Bank's requirements. Where there is reasonable doubt on the length of occupancy, depreciation is based on the length of the tenancy agreement.

2.2.2 Government grants

Government grants are recognized when grants are received or where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

Where the Bank receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

2.2.3 Lease arrangement

The Bank has entered into commercial leases for premises. These leases have an average life of between three and five years with renewal option included in the contracts. Payments made under operating lease are recognised in income statement on straight line basis over the term of the lease. All the lease contracts are cancellable and advance payments have been made on all of them.

2.2.4 Foreign currencies translations

Assets and liabilities expressed in foreign currencies are translated into Ghana Cedi at the rates of exchange ruling at the reporting date. Transactions during the year are translated at the rates ruling at the dates of the transactions. Gains or losses on exchange are recognised in the profit and loss under the heading "Other Operating Income".

Transactions in foreign currencies are initially recorded by the Bank at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.
Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

2.2.5 Employee benefits, pension and post-employment

Short-term employee benefits

The cost of all short-term employee benefits is recognized during the period employees render services, unless the entity uses the services of employees in the construction of an asset, at which stage it is included as part of the related property, plant and equipment item.

Leave benefits

Annual leave is provided in the period that the leave accrued.

Social security contributions

The Bank contributes to the defined contribution schemes (the Social Security Fund) on behalf of employees. This is a national pension scheme under which the Bank pays 13% of qualifying employees' basic monthly salaries to a state managed Social Security Fund for the benefit of the employees.

All employer contributions are charged to profit or loss as incurred and included under personnel expenses.

2.2.6 Post-employment medical benefit

The Bank provides post-employment medical benefits to its retirees which are accrued as a liability in the financial statements, using the projected unit credit method. The entitlement to these benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Bank) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income (OCI) in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the bank recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Bank recognises the following changes in the net defined benefit obligation under 'other operating expenses' in the statement of comprehensive income: Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.

The post-employment healthcare benefit obligations are valued annually by independent qualified actuaries.

Other employee benefits - loans at concessionary rate

The Bank grants facilities to staff of the Bank on concessionary terms. The Bank recognises such offerings as part of employee benefits on the basis that such facilities are granted to staff on the assumption of their continued future service to the Bank and not for their past service. The Bank's Lending Rate adjusted for risk not associated with the Bank's staff is applied to fair value such facilities. Any discount arising there from is recognised as a prepaid staff benefit which is amortised through profit or loss over the shorter of the life of the related facilities and expected average remaining working lives of employees.

2.2.7 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Details of the revenue recognition procedure are as stated below:

(i) Interest and similar income and expense

Interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The Bank currently does not charge any additional fee to the interest on the loan. This has resulted in the effective interest rate being equal to the nominal rate on the loan. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as 'Other operating income'. However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the effective interest rate from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income

The Bank earns fee and commission income mainly from services provided to its customers. The services provided to the RCBs include foreign inward transfer, training, specie services and management fees from donor fund management.

2.2.8 Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the financial instruments were acquired and their characteristics.

All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Financial assets or financial liabilities held-for-trading.

Financial assets or financial liabilities held-for-trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in net interest income. 'Net trading income'.

The Bank has not designated any financial instrument as held-for-trading

(iv) Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

The assets and liabilities are part of a bank of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

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 profit or loss. The Bank has not designated any financial instrument as fair value through profit or loss.

2.2.8 Financial instruments – initial recognition and subsequent measurement

(vi) Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, 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 (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest and similar income' in profit or loss. If the Bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held to maturity during the following two years.

(vii) Loans and advances

Loans and advances to customers and due from bank includes loans and advances to customers originated by the company which are not classified as held for trading or designated at fair value. Loans and advances are recognised when cash is advanced to the borrower. They are derecognised either when borrowers repay their obligation or are written off.
They are initially recognised at fair value plus any directly attributable transaction cost and are subsequently measured at amortised cost using the effective interest rate method less impairment loss.

2.2.9. De-recognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired.

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 the Bank has transferred substantially all the risks and rewards of the asset, or 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 rights 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 recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

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.

(ii) Financial liabilities

A financial liability includes due to customers, other liabilities and interest payable are 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.

The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

2.2.10 Impairment of financial assets

(i) Framework for impairing financial assets

At each reporting date the Bank assesses whether, as a result of one or more events (loss event) occurring after initial recognition, there is objective evidence that a financial asset or group of financial assets has become impaired. Evidence of impairment may include indications that the borrower or group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, or the fact that the debt is being restructured to reduce the burden on the borrower.

(ii) Impairment of financial assets

The Bank makes an allowance for unrecoverable loans and receivables, held-to-maturity investments and available for sale financial assets when there is objective evidence that the carrying amount may not be recoverable. Significant management judgment is required to determine when objective evidence of impairment exists, and also in estimating future cash flows from the assets.

(iii) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from rural banks as well as held-to-maturity investments), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for 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.

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

Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of 'Interest and similar income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

(i) Impairment of available-for-sale investments

If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost. The company's policy considers a significant decline to be one in which the fair value is below the cost by more than 20% and a prolonged decline to be one in which fair value is below the cost for greater than nine months. This policy is applied by the bank at the individual security level.

If an available-for-sale equity security is impaired based upon the company's qualitative or quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon the company's impairment criteria, an impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairments.

Determining fair value

The Bank measures financial instruments, such as, available for sale financial assets at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy disclosed in note 34

(ii) Renegotiated loans

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 new loan conditions. Once the terms have been renegotiated any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews 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 impairment assessment, calculated using the loan's original effective interest rate.

2.2.12 Provisions

The Bank recognizes provisions when it has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Bank expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Contingent liabilities and contingent assets are disclosed in the notes to the financial statements.

2.2.13 Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flow comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less. Cash and cash equivalents are subsequently measured at amortized cost.

2.2.14 Intangible assets

The Bank's intangible assets are the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the bank. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The amortisation expense on intangible assets is recognised in profit or loss in the expense category consistent with the function of the intangible asset. Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Computer software - 5 years.

2.2.15 Taxation

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.
Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive

income and not in profit or loss.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the profit or loss.
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Application of new and revised International Financial Reporting Standards (IFRS)

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company's financial statements are disclosed below. Heritage Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Bank plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the company has performed a detailed impact assessment of all three aspects of IFRS 9.

This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the IFRS 9 Financial Instruments (cont'd)
Bank in 2018 when the company will adopt IFRS 9. Overall, the company expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Bank expects an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the Bank will implement changes in classification of certain financial instruments.

(a) Classification and measurement

The Bank does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI will, instead, be measured at fair value through profit or loss, which will increase volatility in recorded profit or loss.

Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Bank expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.
Standards issued but not yet effective continued
Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Bank analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 requires the Bank to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Bank will apply the simplified approach and record lifetime expected losses on all trade receivables. The Bank has determined that, due to the secured nature of its loans and receivables, the loss allowance will decrease by GHS (247,034) with corresponding related decrease in the deferred tax asset of GHS 61,759.

In summary, the impact of IFRS 9 adoption is expected to be, as follows:

IMPACT ON EQUITY (INCREASE/(DECREASE)) AS OF 31 DECEMBER 2017:

	Adjustments	GHS
Assets		
loans and advances	(b)	(247,034)
Total assets		**(247,034)**
Liabilities		
Deferred tax liabilities	(b)	-
Total liabilities		-
Net impact on equity, Including		**(247,034)**
Retained earnings	(a)	247,034

Below is the Loss Allowance schedule:

Segmental Classification	12- Months ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total 2017
Corporate Loans Loss Allowance	543,812	-	-	**543,812**
Placement with other banks Loss Allowance	1,792,703	-	1,554,686	**3,347,389**
Government bonds and treasury bills Loss Allowance		-	-	-
Total IFRS 9 Loss Allowance	**2,336,515**	-	**1,554,686**	**3,891,201**
Impairment per IAS 39				**4,138,235**
Increase/(Decrease)				**(247,034)**

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.
The company will apply these amendments when they become effective.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.
On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.
The company is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the company will continue to assess the potential effect of IFRS 16 on its financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective,
IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general
model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.
This standard is not applicable to the company.

Transfers of Investment Property — Amendments to IAS 40.

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments.

An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight.

Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

The company will apply amendments when they become effective. However, since company's current practice is in line with the clarifications issued, the company does not expect any effect on its financial statements.

Annual Improvements 2014-2016 Cycle (issued in December 2016)

These improvements include:

IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose.
The amendment is effective from 1 January 2018. This amendment is not applicable to the company.

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact.
These amendments are not applicable to the company.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018.

An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9.
Refer to page for the effect of implementing IFRS 9

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

i. The beginning of the reporting period in which the entity first applies the interpretation Or
ii. The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Bank's current practice is in line with the Interpretation, the company does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.
The Interpretation specifically addresses the following:
Whether an entity considers uncertain tax treatments separately

- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

3. Interest Income

	2017 GH¢	2016 GH¢
Cash and cash equivalents	**31,243,205**	25,903,344
Loans and advances to rural banks	**3,736,160**	3,184,761
Investments securities - Held to Maturity	**14,352,983**	15,104,904
Loan and advances to staff	**574,212**	516,596
Mobile Money Interest	**65,560**	-
	49,972,120	44,709,605

4. Interest Expense

	2017 GH¢	2016 GH¢
Clearing balances	**686,462**	639,770
Fixed and time Apex certificate of Deposit	**3,962,162**	4,922,206
Borrowings-Inter-Bank	**69,126**	406,485
Short term deposits(Rural community banks)	**744,664**	1,711,056
Staff balances	**72,560**	79,888
Mobile Money Balances	**5,594,448**	-
	11,129,422	7,759,405

5. Net Fees and Commissions Income

	2017 GH¢	2016 GH¢
Apex link and money transfers	**257,606**	579,042
Foreign Transfers	**1,520,296**	1,371,217
Managed Funds	**215,653**	192,836
Specie Fees	**84,835**	83,730
Brokerage Fees income	-	436,009
Commission on clearing	**881,062**	269,328
Training Fees	**330,570**	205,480
Commission on MICR Cheque	**925,306**	827,693
Other commissions	**257,875**	137,806
SMS Commission	**231,210**	258,388
	4,704,413	4,361,529
Less; Fees and commission expenses		
Brokerage expenses	-	(198,166)
Net fees and commission income	**4,704,413**	4,163,363

6. Net Trading Income

Gains from foreign currency dealings	2,840,075	2,552,463

6b. Other Operating Income

	2017 GH¢	2016 GH¢
Exchange gain	**271,393**	653,944
Capital Grant Amortisation	**107,742**	107,734
Coupon Income-Preference shares	**599,669**	531,011
Notional Interest	**871,890**	690,953
Profit / (loss) on disposal	**23,021**	-
Other income	**670,397**	783,687
	2,544,111	2,767,329

7. Net Impairment Loss on Financial Assets

	2017 GH¢	2016 GH¢
Individual impairment	**945,501**	140,899
Collective impairment	**(768,588)**	836,506
	176,913	977,405

8. Personnel Expenses

	2017 GH¢	2016 GH¢
Wages and salaries	**16,981,990**	16,759,775
Social security cost	**3,027,267**	2,942,572
Staff Accommodation	**1,200,715**	1,156,003
Medical expenses	**884,388**	1,078,969
Staff Travel and relocation	**3,025,222**	3,062,233
Other staff allowances	**1,412,993**	3,449,495
	26,532,575	28,449,047

Other staff allowances includes staff utilities costs, donation to bereaved staff and other staff awards.

9. OTHER EXPENSES

	2017	2016
	GH¢	GH¢
Professional fees	**660,301**	693,425
Cost of bailout of RCBs	**237,601**	124,017
Directors' fees & allowance	**671,062**	844,221
Utilities and cleaning	**2,332,436**	2,169,971
Audit fees	**100,000**	113,955
Staff training	**292,051**	388,187
Rental	**45,871**	51,372
Training of rural banks	**290,977**	62,921
Repairs and maintenance	**522,632**	822,075
Meeting and conferencing	**587,784**	552,187
Travels (Local and foreign)	**1,793,403**	1,580,332
Advertising and marketing	**835,029**	510,274
Specie	**225,815**	141,042
Communication	**401,785**	399,085
Insurance	**443,607**	336,581
Printing/ Stationery	**289,742**	241,555
Office running costs	**210,547**	848,988
Provision for legal costs	**-**	1,633,672
Fuel and Lubricants	**277,969**	299,526
Vehicle Maintenance Costs	**269,898**	285,356
Subscription /License and Dues	**861,754**	577,590
Donations	**43,300**	54,352
New Products Expenses	**303,634**	62,432
Clothing & Image Enhancement	**1,815,651**	1,752,855
Outsourced Service	**688,313**	959,139
Bank Charges	**48,202**	40,986
GIS/ Swift Charges	**43,185**	65,919
Postage	**120,273**	117,100
Communication Cost - RCBs	**1,376,831**	8,974,571
Overs and shorts in till	**10,767**	6,042
	15,800,421	24,709,726

Communication Cost relates to Bandwidth usage by the distressed Rural and Community Banks (RCB's) absorbed by the Bank.

9b. Operating lease expenses

	2017	2016
	GH¢	GH¢
Rental cost of Branch premises	524,921	641,082

10. Income Tax Expense

The major components of income tax expense for the years ended 31 December 2017 and 2016 were:

(a) Tax credit/(charged) to profit or loss

		2017	2016
	GH¢	**GH¢**	GH¢
Current income tax		**-**	-
National fiscal stabilization levy		**100,485**	-
Deferred tax relating to the origination and reversal of temporary differences		**(2,550,445)**	(274,395)
At 31 December		**(2,449,960)**	(274,395)

(b) Reconciliation of tax charge to the expected tax based on accounting profit

Accounting Profit before taxation	**2,009,690**	(13,639,646)
Tax at the applicable rate of 25%	**502,423**	(1,091,171)
Tax on non-deductible expenses	**79,245**	1,020,973
Income not subject to tax	**(5,755)**	(204,197)
National Fiscal Stabilisation Levy	**100,485**	-
Prior year adjustment	**(411,170)**	-
Tax loss brought forward	**(2,715,188)**	-
	(2,449,960)	(274,395)

The effective income tax rate for year 2017 is (122%) (2016: Nil)

(c) Deferred tax asset/(liabilities)

	2017	2016
	GH¢	GH¢
Opening balance	**-**	-
Charge to P&L	**2,550,445**	-
Closing balance	**2,550,445**	-

(d) Corporate taxation (payable)/recoverable

	1 Jan GH¢	Paid during the year GH¢	Charged during the year GH¢	31 Dec GH¢
Corporate tax/NFSL				
2016	436,372	-	-	436,372
2017 - NFSL	-	150,000	(100,485)	49,515
	436,372	150,000	(100,485)	485,887

11 Earnings per Share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

There are no other class of shares that will affect the basic earnings per share. Diluted earnings per share will be equal to the basic earnings per share as there are no dilutive instruments.

The following table shows the income and share data used in the basic earnings per share

	2017	2016
Net (loss)/profit attributable to ordinary equity holders of the parent	**4,459,650**	(13,365,251)
Weighted average number of ordinary shares for basic earnings per share	**10,283,556**	10,245,589

Earnings per Share

Basic earnings per share	**0.43**	(1.30)

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of the completion of these financial statements which would require the restatement of earnings per share.

12 Cash and Cash Equivalents

	2017 GH¢	2016 GH¢
Cash and balances with banks	**23,442,321**	29,051,956
Mobile Money E-cash	**2,056,934**	2,431,922
Unrestricted balances with the central bank	**17,726,289**	25,870,535
Money market placements	**138,000,000**	98,000,000
	181,225,544	155,354,413

There are no restrictions on these cash balances and the cash with central bank are non-interest bearing. There are no indications of impairment for cash and due from bank for 2017. The interest rate on placement due from other bank ranged from 20.0%-21.5% in 2017.

13 Investments (Other Than Securities)

	2017	2016
	GH¢	GH¢
Balance as at 1 January	**3,069,530**	2,538,519
Notional interest income	**599,669**	531,011
	3,669,199	3,069,530

The Bank in 2015 bailed out four (4) distressed banks through the purchase of preference shares which were issued by the distressed Banks. The preference shares had a coupon rate of 2%, redeemable in 10 years. This was initially recognised at fair value and subsequently at amortised cost.

14 Loans and Advances

	2017	2016
	GH¢	GH¢
On-lending	**5,438,246**	1,141,082
Capital projects	**9,548,938**	7,095,664
Short term Loan	**8,981,677**	1,007,094
Long term Loan	**406,706**	1,992,600
Rural Banks automobile loan	**2,637,265**	1,919,100
Staff loan	**7,048,070**	7,285,530
Total gross loans	**34,060,902**	20,441,070
Less: Allowance for impairment losses	**(4,138,235)**	(3,961,322)
Suspended Interest	**(15,376)**	(15,376)
	29,907,290	16,464,372

Impairment on losses on loans and advances

	2017	2016
	GH¢	GH¢
Individual impairment	**3,424,521**	2,072,998
Collective impairment	**713,714**	1,888,324
Balance as at 31 December	**4,138,235**	3,961,322

Reconciliation of impairment losses

	2017	2016
	GH¢	GH¢
Balance as at 1 January	**3,961,322**	2,983,917
Charge for the year	**176,913**	977,405
Balance as at 31 December	**4,138,235**	3,961,322

The individual impairment represents the full provisions on gross loans which were individually impaired as at the year end.

15 Investment Securities - Held To Maturity

	2017	2016
	GH¢	GH¢
Government debt securities	**43,644,354**	39,361,048
Treasury bills held to maturity	**19,147,042**	16,059,166
	62,791,396	55,420,214

The average interest rate on the held to maturity investments are as follows:
91-day Treasury bill rate 13.45%
182-day Treasury bill 13.70%
1-year Notes 17.15%
2-year Notes 19.58%
5-year Notes 18.25%

16 Other Assets

	2017	2016
	GH¢	GH¢
Commission/ interest receivable	**6,847,823**	4,450,696
Prepayments	**11,213,916**	11,301,219
Deferred cost of intervention	**7,790,550**	8,028,151
Sundry receivables	**2,641,437**	1,053,200
	28,493,726	24,833,266

17 (a) Property, Plant and Equipment – 2017

	Land	Buildings	Improvement on Leased Premises	Office Equipment	Furniture & Fittings	Motor Vehicle	Computer Hardware	Work In Progress	Total
Cost	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
As at 1/1/2017	1,370,298	3,409,702	1,417,805	3,099,438	814,969	4,974,768	9,107,792	6,742,568	30,937,339
Additions	-	97,071	-	369,555	125,406	134,470	300,932	2,273,223	3,300,657
Transfers	-	2,029,620	-	347,508	-	-	-	(4,886,313)	(2,509,185)
Disposal	-	-	(46,607)	(454,933)	63,640)	(33,739)	(489,086)	-	(1,088,005)
Balance as at 31/12/17	1,370,298	5,536,393	1,371,198	3,361,568	876,734	5,075,499	8,919,638	4,129,478	30,640,806
Accumulated Depreciation									
As at 1/1/2017	-	748,377	996,636	2,346,358	537,866	2,406,834	8,435,050	-	15,471,120
Charge for the year	-	110,773	95,898	446,464	83,120	933,477	545,547	-	2,215,279
Disposal	-	-	(46,607)	(439,503)	(53,383)	(33,739)	(489,088)	-	(1,062,320)
Balance as at 31/12/17	-	859,150	1,045,926	2,353,319	567,602	3,306,834	8,491,509	-	16,624,079
Carrying amount as at 31/12/17	1,370,298	4,677,243	325,271	1,008,248	309,132	1,768,927	673,052	4,129,478	14,016,726

17 (b) Property, Plant and Equipment - 2016

Cost	Land GH¢	Buildings GH¢	Improvement on Leased Premises GH¢	Office Equipment GH¢	Furniture & Fittings GH¢	Motor Vehicle GH¢	Computer Hardware GH¢	Work In Progress GH¢	Total GH¢
As at 1/1/2016	1,370,298	3,409,702	1,417,805	2,972,251	700,536	5,019,119	8,473,760	622,918	23,986,390
Additions	-	-	-	180,010	147,535	208,000	682,504	6,411,319	7,629,368
Transfers	-	-	-	-	-	270,893	-	(270,893)	-
Disposal	-	-	-	(52,824)	(33,103)	(523,244)	(48,472)	(20,776)	(678,419)
Balance as at 31/12/16	1,370,298	3,409,702	1,417,805	3,099,437	814,968	4,974,768	9,107,792	6,742,568	30,937,339
Accumulated Depreciation									
As at 1/1/2016	-	680,138	900,738	2,056,789	477,949	1,791,922	5,929,900	-	11,837,435
Charge for the year	-	68,239	95,898	321,098	75,427	929,483	2,553,662	-	4,043,767
Disposal	-	-	-	(31,529)	(15,510)	(314,571)	(48,472)	-	(410,082)
Balance as at 31/12/16	-	748,377	996,636	2,346,358	537,866	2,406,834	8,435,050	-	15,471,120
Carrying amount as at 31/12/16	1,370,298	2,661,325	421,173	764,605	290,800	2,600,469	673,052	6,742,569	15,466,219

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies to these grants.

17 (c) Intangible Assets – Computer Software

	2017	2016
Cost	GH¢	GH¢
As at 1/1/2017	**6,359,198**	6,303,407
Additions - acquisition	**717,384**	55,791
Transfer	**1,380,230**	-
Balance as at 31/12/17	**8,456,812**	6,359,198
Accumulated Amortisation		
As at 1/1/2017	**3,488,752**	2,236,778
Charge for the year	**1,671,497**	1,251,974
Balance as at 31/12/17	**5,160,249**	3,488,752
Carrying amount as at 31/12/17	**3,296,563**	2,870,446

18 Deposits from Banks

	2017	2016
	GH¢	GH¢
Due to rural and community banks	**249,930,404**	226,663,617
	249,930,404	226,663,617

(b) Deposits From Customers

	2017	2016
	GH¢	GH¢
Staff balances	**1,871,457**	1,196,022
Other current accounts	**26,116,533**	4,040,795
	27,987,990	5,236,817

No cash collateral was held as deposit as at the year-end (2016:nil)

19 Government Grant

	2017 GH¢	2016 GH¢
At 1 January	**2,588,787**	2,696,521
Released to profit and loss	**(107,742)**	(107,734)
At 31 December	**2,481,045**	2,588,787

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

20 Other Liabilities

	2017 GH¢	2016 GH¢
Accounts payable and sundry creditors	**11,058,645**	10,997,702
Regulatory charges	**1,033,000**	626,000
Accrued expenses	**4,994,104**	2,689,408
Interest payable	**122,034**	299,110
	16,857,223	14,612,220

These other liabilities are not interest bearing.

21 Post-Employment Benefit Plan

21a. Movement of defined benefit obligation

The ARB Apex Bank provides post-employment medical benefits to all employees of the Bank. These benefits are funded. The following table summarizes the changes in the present value of the defined benefit obligation.

	2017 GH¢	2016 GH¢
Defined benefit obligation at 1 January	**1,222,960**	1,050,657
Current service cost	**75,710**	69,374
Interest cost	**239,381**	241,651
Benefit paid/ Cost Incurred	**(90,736)**	(75,013)
Actuarial (gain)/loss in financial assumptions	**9,290**	-
Experience actuarial (gain)/loss	**130,337**	(63,709)
Total liability as at 31 December	**1,586,941**	1,222,960
Less plan assets for the year	**(1,674,452)**	(1,383,744)
Excess defined plan assets	**(87,511)**	(160,784)

The excess defined plan assets do not represent a future economic benefit which is available in the form of refunds from the plan or a reductions in future contributions to the plan. Hence, this has not been recognised as an asset on the statement of financial position.

Most of the plan assets are investments in treasury bills.

21b. Reconciliation of Actuarial (gains)/loss in OCI

	2017	2016
	GH¢	GH¢
Actuarial gains/(loss)	**(139,627)**	63,709
Effect of deferred taxes on actuarial gains and losses	**34,907**	(14,653)
Net amount recognized in OCI	**(104,720)**	49,056

This retirement benefit is only available on retirement with the Bank at the age of 60. The principal assumptions used in determining pension obligations for the Bank's plan are shown below:

	2017	2016
	%	%
Discount rate	**18.0**	19.1
Salary percentile increase	**0**	15
Inflation on medical cost	**16.0**	17.0

The post-retirement medical benefit is assumed to be an average of GH¢5,139 inflated at 16.0% annually. It has been assumed that the average life expectancy beyond the retirement age of 60 is 10 years for both men and women.

Sensitivity analysis of the significant assumptions underlining the fund as at December 31, 2017 has been shown in the table below:

	Base Case	Interest Rate -1%	Interest Rate +1%	Medical Inflation -1%	Medical Inflation +1	Withdrawal Rate -1%	Mortality -10%
Accrued Liability							
Post-Retirement Medical Benefit Scheme Percentage Change	**1,586,941**	1,765,986 11.3%	1,435,643 -9.5%	1,431,345 -9.8%	1,68,556 11.4%	1,733,836 9.3%	1,570,674 -1.0%

The table indicates that the accrued liabilities are most sensitive to the medical inflation followed by the interest rate assumption. As can be seen from the table above, the accrued liabilities rely greatly on the assumptions made. The nature and magnitude of these liabilities are such that a small change in the assumptions could affect the actuarial liability of the scheme. If these assumptions are not realized in practice, then the liabilities under the scheme will differ from that shown

22. Related Party Transaction

Shareholdings

The rural banks are the owners as well as the only customers of the ARB Apex Bank Ltd. None of the rural banks has significant shareholding to influence the Board's decision-making. Transactions conducted between the Bank and rural banks are banking and non-banking business services at arm's length.
ARB Apex Bank is legally required to issue shares only to the shareholders of the Bank, which are the rural banks in Ghana. As at December 2016 all the rural banks had a minimum of 20,000 shares allocated to them.

Compensation to key management personnel

Total compensation of key management personnel (Managing Directors, Deputy Managing Directors and Head of Departments of the Bank at 31 December 2017:

	2017	2016
	GH¢	GH¢
Short term employee benefits	**2,449,078**	2,697,236

Total loan balances of key management staff stood at GH¢702,088 (2016: GH¢1,657,053).

All key management staff are entitled to post employment medical benefit. The cost of this benefit has been recognized in profit or loss. Interests charged on loans to staff are at concessionary rates and lower than the rates that would be charged in an arm's length transaction. The secured loans are secured by real estate and other assets of the respective borrowers.

	2017	2016
	GH¢	GH¢
Loans and advances (net)	**29,907,290**	16,464,372
Deposit from banks	**249,930,404**	226,663,617
Deposit from customers	**27,987,990**	5,236,817

23. Dividends Paid and Proposed

No dividend has been proposed in 2017. No dividend was paid in 2016.

24. Stated Capital

Authorized shares

The Bank is registered with 1,000,000,000 ordinary shares of no par value.

Ordinary shares issued and fully paid

Stated Capital	**2017**	2016
	GH¢	GH¢
At 1 January	**9,093,490**	9,044,290
Shares issued during the year	**46,700**	49,200
At 31 December	**9,140,190**	9,093,490

No. of Shares

	2017	2016
	Number	Number
At 1 January	**10,245,589**	10,205,589
Shares issued during the year	**37,967**	40,000
At 31 December	**10,283,556**	10,245,589

25. Statutory Reserves

The statutory reserve fund is a non-distributable reserve required by Section 34 of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). This statute requires a mandatory transfer of a specified percentage of profit after tax, before declaring dividends to a non-distributable statutory reserve fund. The transfer to statutory reserve fund represents 12.5% of the Bank's profit after tax.

	2017	2016
	GH¢	GH¢
At 1 January	**11,308,749**	11,308,749
Transfer in 2017 (12.5% of profit)	**557,456**	-
At 31 December	**11,866,205**	11,308,749

26. Credit Risk Reserves

The credit risk reserve fund is a non-distributable reserve required by the Bank of Ghana to account for differences between impairment provisions on loans and advances per IFRS and the specific and general provisions on loans and advances per the Bank of Ghana provisioning methodology.

27. Other Reserves

The credit risk reserve fund is a non-distributable reserve required by the Bank of Ghana to account for differences between impairment provisions on loans and advances per IFRS and the specific and general provisions on loans and advances per the Bank of Ghana provisioning methodology.

	2017	2016
	GH¢	GH¢
At 1 January	**102,058**	151,114
Net amount recognised in OCI	**104,720**	(49,056)
At 31 December	**206,778**	102,058

28. Maturity Analysis of Assets and Liabilities- 2017

	GH¢	**GH¢**	**GH¢**
Assets	**Within 12 months**	**After 12 months**	**Total**
Cash and cash equivalents	181,225,544	-	181,225,544
Investment securities-HTM	47,497,594	15,293,802	62,791,396
Loans and advances to customers	3,279,546	26,627,744	29,907,290
Other investments	-	3,669,199	3,669,199
Corporate tax asset		485,372	485,372
Deferred tax assets	-	2,451,901	2,451,901
Intangible assets	864,788	2,431,775	3,296,563
Other assets	13,650,575	14,843,151	28,493,726
Property, plant and equipment	89,304	13,927,422	14,016,726
Total Assets	**247,607,351**	**79,730,881**	**326,338,232**
Liabilities & Shareholders' Funds			
Deposits from banks	72,539,168	177,391,236	249,930,404
Deposits from customers	27,987,990	-	27,987,990
Government Grant	-	2,481,045	2,481,045
Other liabilities	10,702,147	6,120,169	16,822,316
Total Liabilities	**111,229,305**	**185,992,450**	**297,221,755**

28b. Maturity Analysis of Assets and Liabilities - 2016

Assets	GH¢ Within 12 months	GH¢ After 12 months	GH¢ Total
Cash and cash equivalents	155,354,413	-	155,354,413
Investments (other than securities)	-	3,069,530	3,069,530
Loans and advances to customers	2,105,268	14,359,104	16,464,372
Investment securities-Held to maturity	31,863,714	23,556,500	55,420,214
Deferred tax assets	436,372	-	436,372
Intangible assets	15,925	2,854,521	2,870,446
Other assets	16,549,378	8,283,888	24,833,266
Property, plant and equipment	406,932	15,059,287	15,466,219
Total Assets	**206,732,002**	**67,182,830**	**273,914,832**
Liabilities & Shareholders' Funds			
Deposits from banks	107,912,304	118,751,313	226,663,617
Deposits from customers	5,236,817	-	5,236,817
Government Grant	-	2,588,787	2,588,787
Other liabilities	7,376,845	7,235,375	14,612,220
Total Liabilities	**120,525,966**	**128,575,475**	**249,101,441**

29. Events after the reporting period

There were no adjusting or non-adjusting events after the reporting period.

30. Contingencies

Contingent assets

There was no contingent asset as of 31 December 2017. (2016, nil)

Contingent liabilities

There was no contingent liability as of 31 December 2017. (2016, nil)

31. Capital Commitments

There were no capital commitments as of 31 December 2017. (2016, nil)

32. Operating Lease Commitment
There was no operating lease commitment as at the year end. All non-cancellable operating leases were prepaid.

33. Risk Management

Introduction:

Efficient risk management is fundamental to the long term profitability and survival of the Bank. The Bank manages risks inherent in its operations through a framework of risk principles, risk strategies, committees as well as risk protocols including risk guidelines, rules and procedures, risk management tools and techniques.
Risk is defined as the probability of loss to earnings and / or capital arising from business activities of the Bank and is managed at enterprise-wide level, with the aim of maximizing risk-adjusted returns within the context of the Bank's risk appetite. The major risks the Bank is exposed to are Operational, Credit, Market, Liquidity, Compliance and Reputational.

Risk Governance:

The Board of Directors, through its sub-committee on risk have the overall responsibility for the establishment and oversight of the Bank's risk management framework. They set the overall risk appetite and philosophy for the Bank.

- The Risk, Audit and Compliance (RAC), the Board's sub-committee on risk exercises oversight of the risk management process: identification, measurement, management and control of all significant risks throughout the Bank. The sub-committee is supported by the Internal Control Department, which provides an independent assessment of the design, adequacy, application and effectiveness of the Bank's internal control procedures.

- The Risk, Inspection and Compliance (RIC) is the management committee on operational risk. The committee reviews reports on risks from various Departments and Units when necessary and take appropriate decisions aimed at improving the management of operational risks in the Bank.

- The Asset and Liability Management Committee (ALMCO) is a management committee responsible for managing the risk inherent in the Bank's balance sheet. It is charged with ensuring that there is adequate liquidity for the Bank's operations by monitoring the maturity of the Bank's assets and liabilities.

- The Credit Committee is a management committee responsible for managing credit risk in the Bank. This committee is charged with the function of critically evaluating reports in terms of the technical, commercial and financial viability of borrowers (RCBs) as well as their potential default and security realization risks.

- The Risk Management Department is responsible for developing, monitoring and evaluation of overall policies and procedures including various risk management
strategies and controls in the Bank. The department also provides a review of the overall risk profile of the Bank from time to time. It reports regularly on its activities to the Board's sub-committee on risk through the Managing Director.

- Business units are represented by a designated Operational Risk Champions who serves as contact persons on operational risk related matters. They assist in the department's self-assessment process, timely identification and recording of operational loss data and explanations.

Risk Appetite:

Risk Appetite refers to the amount and type of risk that the Bank is prepared to pursue and retain in order to achieve its strategic objectives. The Bank's risk appetite level reflects the Bank's capacity to sustain losses under stressed business conditions.
The Bank articulates its risk appetite via a combination of qualitative and quantitative statements to cover relevant risk areas.

Operational Risk:

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Unlike other forms of risk, it is not taken in pursuit of an expected return, but exist as part of the normal course of business at all levels. It is pervasive and inherent in the Bank's products, activities, processes and systems.

To monitor, mitigate and control operational risk, the Bank maintains a system of policies and has established a framework for assessing and communicating operational risk as well as the overall effectiveness of the internal control environment across business lines. Risk Champions have been appointed for all departments, units and branches to monitor and report on operational risk events in their various business lines to the Risk Management Department.

The Bank's management committee on risk; Risk, Inspection & Compliance (RIC) ensures that the right and controlled environment exists to enable the identification and assessment of operational risk. The controlled environment is created by ensuring the following:

- Policies and Documentations:
  i. Processes are documented either in the form of policies, manuals or guidelines.
  ii. Processes mapping of core activities identifying all discrete activities with the respective key risk points identified.
  iii. The Bank's staff understand and adhere to the documented rules and procedures.
- Appropriate internal controls exist including:
  i. Segregation of duties: business generating functions, recording and monitoring functions
  ii. Independent authorization
  iii. Transaction reconciliations

- Regularly monitor, analyze and report on the Bank's operational risk profile through:
  i. Analyzing internal loss data by recording of risk events in a Loss Events Database
  ii. Adoption of key risk indicators that provide early warning and insight into the Bank's risk exposure, particularly the ongoing trends in identified key risk areas.
  iii. Monitoring of external events to ensure that the Bank stays in tune with the industry

- Ensure business continuity:
  i. That the physical infrastructure including buildings, network and computers of the Bank are protected.
  ii. That the business continuity plan exist, tested and communicated to relevant staff members.

- Physical Controls to ensure that un-authorized persons do not have access to sensitive areas of the Bank.

- Compliance with standards set by the Bank is supported by periodic reviews undertaken by the Internal Control, Risk Management as well as Legal and Compliance departments. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to RIC, then to RAC where necessary.

Liquidity Risk:

Liquidity represents the bank's ability to efficiently meet its due obligations and fund increases in asset requirements without incurring unacceptable losses.
The Bank suffers funding liquidity risk when it is not able to meet its maturing obligations such

as; withdrawal by RCBs, draw down on approved credit facilities to RCBs, payment of operational expenses so that the Bank is forced to sell assets at deep discounts or borrow at a highly excessive cost, above its normal cost of doing business.

It is the policy of the Bank to maintain adequate liquidity at all times and be in the position to meet all obligations under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Bank's reputation.

The Assets and Liability Management Committee (ALMCO), chaired by the Managing Director is responsible for developing the Bank's liquidity strategy. The Treasury Unit under Finance Department implements the liquidity policies and strategies by providing both qualitative and quantitative analysis of the Bank's liquidity position and instituting measures to meet all prudential and regulatory liquidity requirements.

The net liquidity gaps resulting from liquidity analysis of assets and liabilities of the Bank as of December 31, 2017 and 2016 are shown below:

MATURITY ANALYSIS OF ASSETS AND LIABILITIES IN CEDIS AS AT - 31 DECEMBER 2017

ASSETS	Total	Less than 3 months	> 3 months< than 1 year	>1 year < 3 years	3 years and over
Cash and cash equivalents	181,225,544	135,225,544	46,000,000	46,000,000	46,000,000
Investment Securities-Held to maturity	62,791,396	19,802,031	27,695,564	8,293,801	7,000,000
Loans and advances to customers	29,907,290	1,288,909	1,850,595	20,402,529	6,365,257
Investments (other than securities)	3,669,199	-	-	-	3,669,199
Other assets	28,493,726	1,952,189	11,460,785	7,052,601	8,028,151
Total Assets	**306,087,156**	**158,268,673**	**87,006,944**	**35,748,932**	**25,062,607**
LIABILITIES & SHAREHOLDERS' FUNDS					
Deposits from banks	249,930,404	42,834,876	29,704,292	44,328,726	133,062,510
Deposits from customers	27,987,990	23,603,350	4,384,640	-	-
Other Liabilities	16,822,316	9,895,496	1,254,996	5,108,214	563,610
Total Liabilities	**294,740,710**	**76,333,722**	**35,343,928**	**49,436,940**	**133,626,120**
Net liquidity gap	**11,346,445**	**81,934,951**	**51,663,016**	**(13,688,009)**	**(108,563,513)**

MATURITY ANALYSIS OF ASSETS AND LIABILITIES IN CEDIS AS AT - 31 DEC 2016

ASSETS					
Cash and cash equivalents	155,354,413	145,354,413	10,000,000	-	-
Investments (other than securities)	3,069,530	-	-	-	3,069,530
Loans and advances to customers	16,464,372	570,372	1,534,897	5,991,040	8,368,063
Investment securities-Held to maturity	55,420,214	12,353,527	19,510,187	18,556,500	5,000,000
Other assets	24,833,266	6,837,337	9,712,041	74,880	8,209,008
Total Assets	**255,141,795**	**165,115,649**	**40,757,125**	**24,622,420**	**24,646,601**
LIABILITIES & SHAREHOLDERS' FUNDS					
Deposits from banks	226,663,617	84,857,219	23,055,085	712,902	118,038,411
Deposits from Customers	5,236,817	1,634,462	3,602,355	-	-
Other Liabilities	14,612,220	6,103,358	1,471,500	2,098,205	4,939,157
Total Liabilities	246,512,654	92,595,039	28,128,940	2,811,107	122,977,568
Net liquidity gap	8,629,141	72,520,610	12,628,185	21,811,313	(98,330,967)

Market Risk:

Market Risk is the risk of losses arising from adverse movements in market prices such as equity, bonds and commodity prices, currency exchange rates, interest rates and credit spreads. The relevant market risks to the Bank are Interest rate and Foreign exchange.

Interest Rate Risk:

Interest Rate risk is the risk of losses arising from unfavorable changes in interest rates resulting in either adverse change in interest earnings, interest expense paid and the fundamental value of the Bank's assets and liabilities. A change in interest rates affects the Bank's Interest income (interest revenue from lending and investments assets) and cost of funding (interest paid on funding).

The ALMCO manages the interest rate risk through Treasury Unit. Gap analysis is used in measuring interest rates risk. The interest- sensitive assets and liabilities are arranged in time buckets as per the re-pricing date (floating rate) and maturity (fixed rate and final repayment).
The Bank also conducts Earnings Sensitivity Analysis which measures the interest rate sensitivity of the bank's net interest income. It measures the amount the net interest income of the Bank would change as a
result of a percentage parallel shift in interest rate as pertained to the current maturity structure of the Bank's Balance Sheet.

A standard scenarios that are considered on a monthly basis include a 200 basis points (bp) parallel fall or rise in market interest rates. A change in 200bp in interest rates at the reporting date would have impacted equity and profit or loss by the amounts shown below:

Foreign Exchange Risk

	2017		2016	
	Increase 200bp	**Decrease 200bp**	**Increase 200bp**	**Decrease 200bp**
Interest Income	2,801,825	(2,801,825)	2, 290,556	(2,290,556)
Interest expense	(2,508,334)	2,508,334	(1,665,891)	1,665,891
Net Impact	**293,491**	**(293,491)**	**624,665**	**(624,665)**

Foreign Exchange risk is the risk that the Bank may suffer financial losses as a result of adverse movement in exchange rates during a period in which the Bank has an open position in a currency. The Bank's involvement in foreign currency dealings is mainly through the sale of proceeds from the foreign remittance business as well as occasional sale of foreign currency to other commercial banks. The Bank manages its foreign exchange risk by ensuring that it obtains the best rates on the market to avoid losses as much as possible.

The foreign exchange risk is managed by ALMCO through the Treasury Unit. The Bank's currency position and exposure are managed within the exposure guidelines stipulated by the Bank of Ghana. This position is reviewed on a daily basis by the management.
The following mid inter-bank exchange rate were applied at the end of the year:

Currency	2017	2016
US Dollar	4.4156	4.2002
GB Pound	5.9668	5.1965
EURO	5.2963	4.367

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at December 31, 2017 and December 31, 2016 respectively (all figures are in Ghana cedis).

December 31, 2017	**Dollar**	**Pounds**	**Euro**	**Total**
Financial Assets	GH₵	GH₵	GH₵	GH₵
Cash	687,546	-	-	687,546
Bank Balances	1,479,342	309,182	914,546	2,703,070
Total	2,166,888	309,182	914,546	3,390,616
Financial Liabilities				
Unallocated Funds		2,371	-	2,371
Sundry Payments	1,507,282	-	-	1,507,282
Total	1,507,282	2,371	-	1,509,653
Net on Balance Sheet Position	**659,606**	**306,811**	**914,546**	**1,880,963**

December 31, 2016	**Dollar**	**Pounds**	**Euro**	**Total**
Financial Assets	GH₵	GH₵	GH₵	GH₵
Cash	12,405	4,729	16,726	33,860
Bank Balances	3,878,862	965,094	502,187	5,346,143
Total	3,891,267	969,823	518,913	5,380,003
Financial Liabilities				
Unallocated	-	2,065	-	2,065
Sundry Payments	-	-	-	-
Total	**-**	**2,065**	**-**	**2,065**
Net on balance sheet Position	**3,891,267**	**967,758**	**518,913**	**5,377,938**

Sensitivity Analysis

A 5% strengthening/weakening of the cedi against the following currencies as at December 31, 2017 and December 31, 2016 would have impacted on equity and profit or loss by the amounts shown below:

2017	Change in currency	Effect on Profit/loss	Effect on Equity
		GH¢	GH¢
US Dollar	+/-5%	145,628/(145,628)	145,628/(145,628)
GB Pound	+/-5%	91,534/(91,534)	91,534/(91,534)
Euro	+/-5%	242,186/(242,186)	115,113/(242,186)

2016	Change in currency	Effect on Profit/loss	Effect on Equity
		GH¢	GH¢
US Dollar	+/-5%	817,205/(817,205)	817,205/(817,205)
GB Pound	+/-5%	251,448/(251,448)	251,448/(251,448)
Euro	+/-5%	115,113/(115,113)	115,113/(115,113)

Credit Risk:

Credit Risk is the risk of financial loss to the Bank due to the failure of a counterparty to meet its contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, and by monitoring exposures in relation to such limits. The Bank also manages its counterparty risk through adherence to Bank of Ghana prudential requirements by ensuring that it's secured lending to any single borrower is below 25% of its net worth and that any single unsecured lending by the Bank is less than 10% of the bank's net worth.

The Bank is exposed to credit risk in its lending operations to the RCBs as well as placements with other commercial banks.

The table below represents the maximum credit risk exposure to the Bank as at December 31, 2017:

	2017	2016
	GH¢	GH¢
Past due and impaired	**3,424,521**	2,649,367
Past due but not impaired	-	-
Neither past due nor impaired	**23,588,311**	21,869,090
Fair value of collateral	**(81,460)**	(50,460)
	26,931,372	24,467,997

The Board has an oversight responsibility in the management of credit risk. Senior Management oversight of credit risk is undertaken through the Credit Committee which is chaired by the Managing Director. The Credit Committee controlled the credit risk using the following processes and measures:

a. Ensuring that credit facilities granted are within the risk tolerance limits set by the Board.

b. Insistence that all credit facilities approved are covered by the following:
- Duly executed loan agreements between the Bank and the RCBs.
- A lien on the short- term investments of the bank up to the quantum of the loan amount is used as a collateral.

c. Ensuring that all pre-disbursement conditions including (a) and (b) are fulfilled by the rural bank before disbursement is authorized. The Compliance Officer shall certify that all the pre-disbursement conditions have been fulfilled before Legal & Compliance Department issues a certificate of completion to enable disbursement to be authorized by the Projects & Credit Department.

d. Ensuring that credit facilities are disbursed in tranches in some cases, and strictly according to the disbursement programme as contained in the credit appraisal report to ensure that facilities granted are used for the purpose for which they are granted and not diverted.

Stressed Testing

This is a forward looking quantitative tool which evaluates various stressed scenarios or conditions. The Bank stressed test for the Credit Portfolio assumes unanticipated deterioration in borrowers' (RCBs) credit worthiness. The test measures impacts of such asset quality migration on credit provisions, profitability, capital adequacy and non-performing loan ratios.

Provisioning

An account is considered to be in default when payment is not received on due date. The process used for provisioning is based on Bank of Ghana guidelines which recognize cash as a credit mitigant. Individual provisions are made for outstanding amounts depending on the number of days past due. In certain situations such as bankruptcy or distress of a rural bank, full provision is made.

Write-off Policy

The Bank writes off a loan when the Credit Committee determines that the loan is non-recoverable. This determination is reached after considering information such as the occurrence of significant changes in the RCB's financial position such that the RCB can no longer pay the obligation. Upon the recommendation of the Credit committee, write-offs are referred to the Board of Directors and then to the Bank of Ghana for ratification.

Compliance Risk:

Compliance risk is defined as the risk of legal sanctions, material financial loss, or loss to reputation the Bank may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of best practice.

The Bank's Legal & Compliance Department is 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 departmental heads. However the Legal & Compliance Department monitors and reports on compliance to RAC through RIC. The Bank generally complied with regulatory requirements.

Reputation Risk:

This is the risk of loss arising from adverse publicity which result in the deterioration in or loss of public perception of the Bank, or as a result of its failure to comply with banking laws, regulations, rules, internal management directives and other codes of conduct/ethics applicable to the banking industry.
Reputational risk may result from operational issues such as inefficient services that cause disaffection of customers and other stakeholders of the Bank. Other sources include system failures, unnecessary litigation, dealing with customers who engage in illegal business activities (Money Laundering) and so on.

Internal operational issues such as system breakdowns, employee errors, employee fraud and others may expose the Bank to serious reputational risk. In managing reputational risk emanating from these sources, the Bank has put in place appropriate measures and controls that ensures that system breakdowns and bookkeeping errors are checked at every level of operations in order to minimize their impact on customers and other stakeholders. These controls form part of the daily operational procedures of the Bank.

Furthermore, the Board of Directors, through Management have assigned the responsibility of safeguarding the Bank's reputation to the Corporate Affairs Unit and every member of staff. It also revolves around effective communication between the Bank and its customers.

This is achieved through daily monitoring of customer complaints and media reportage about the Bank for prompt resolution of the concerns raised or any adverse publicity. The Bank also have periodic operational meetings with the Board of Directors and Supervising Managers of the RCBs to address issues where necessary.

Concentration Risk:

The key source of funding are from the Rural and Community Banks as a result of its mandate- ARB Apex Bank Limited Regulations,2006 (L.I.1825). The Bank therefore, has only one customer type and that is the Rural and Community Banks.
The funding source concentration as at December 31, 2017 is as follows:

	2017	2016
Deposits from Rural and Community Banks	**GH¢**	GH¢
Reserved Placement-5% of RCBs' total deposit	**133,062,510**	113,499,190
RCBs' Clearing Account	**74,033,018**	66,964,212
ACOD	**37,729,400**	36,874,890
Short-Term Borrowing	**5,105,476**	9,325,325
Total	**249,930,404**	226,663,617
Total Liabilities	**297,221,755**	249,101,441
Concentration Ratio	**84%**	91%

34. Fair Value of Financial Assets and Liabilities

a. Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, The Ghana Stock Exchange). As at 31 December 2017 and 31 December 2016, the Bank did not hold any level 1 financial asset and/or liabilities.

• Level 2 – Inputs other than quoted prices included within Level 2 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). As at 31 December 2017 and 31 December 2016 the bank had investments in RCBs which was fair valued using the Bank of Ghana risk free rate of return.

• Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. As at 31 December 2017 and 31 December 2016 the Bank did not hold any level 3 financial assets and/or liabilities.

The carrying amounts of the financial assets and liabilities approximates their fair value.

There were no financial assets and liabilities measured at fair value in 2017, (2016: nil).

(b) Financial instruments not measured at fair value

Cash and bank balances with central bank

The management assessed that cash and bank balances with central bank approximate their carrying amounts largely due to the short-term nature.

Cash due from banking banks

Cash due from banking include inter-bank placements. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. The carrying amount approximates their fair values.

Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. The carrying amount approximates their fair value.

Financial Instruments – Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost. Expected cash flows are discounted at current market rates to determine fair value. Using the effective interest method, less any provision for impairment.

Other assets (excluding prepayments)

The estimated fair value of other assets excluding prepayments and represents the discounted amount of estimated future cash flows expected to be received. The carrying amount approximates their fair value.

Due to customers

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount approximates their fair value.

Interest payable and other liabilities

The estimated fair value of interest payable and other liabilities is based in discounted cash flows using prevailing money-market interest rates for debts with similar risk and remaining maturity. The carrying amount approximates their fair value.

35. Capital Management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements by the Bank of Ghana and that the Bank maintains strong credit ratings and healthy capital adequacy ratio in order to support its business and to maximize its shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in the economic conditions and the risk characteristics of its activities.

The Bank may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

There were no material changes in the Bank's management of capital during the period.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2017 and 2016. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject to.

Item	2017	2016
Paid-up Capital	**9,140,190**	9,093,490
Disclosed Reserves	**19,904,221**	15,942,471
Net Tier 1 Capital	**29,044,411**	25,035,961
Adjusted Asset base	**152,462,852**	126,713,092
Adjusted Capital as a percentage of Adjusted Asset Base	**19.1%**	19.8%

36. Value Added Statement for the Year Ended 31 December 2017

Item	2017	2016
Interest earned & other operating income	**57,516,608**	51,623,597
Direct Cost of Services	**(11,129,422)**	(7,957,571)
Value added by banking services	**46,387,186**	43,666,026
Non-Banking Income	**2,544,111**	2,767,329
Impairments	**(176,913)**	(977,405)
Value Added	**48,754,384**	45,455,950
Distributed as follows:-To Employees:		
Directors (Without Executives)	**(671,062)**	(844,221)
Other Employees	**(26,168,594)**	(29,120,965)
Post-retirement benefits	**(363,982)**	(172,303)
To Government:		
Income tax credit	**2,449,960**	274,395
To Providers of Capital:		
Dividend to shareholders	-	-
To Expansion & Growth:		
Operating Lease	**(524,921)**	(641,082)
Depreciation & Amortisation	**(3,886,776)**	(5,295,741)
Suppliers of goods & services	**(15,129,359)**	(23,021,284)
Retained Earnings	**4,459,650**	**(13,365,251)**

PROXY FORM

ANNUAL GENERAL MEETING of the ARB Apex Bank Limited to be held on **Saturday, April 28, 2018** at the Golden Tulip Hotel, Kumasi at 10:00am prompt.

We.....Directors........being members of ....hereby appoint

Dr./Hon./Mr./Mrs./Ms./Rev...
with a duly sealed proxy form to attend and vote for us and on our behalf at the Annual General Meeting of the Bank to be held on April 28, 2018.

Dated this ....day of 2018

....
Signature (Authorised Signatory)

Name:...

Designation ....

Company Seal/ Stamp

....
Signature (Authorised Signatory)

Name:...

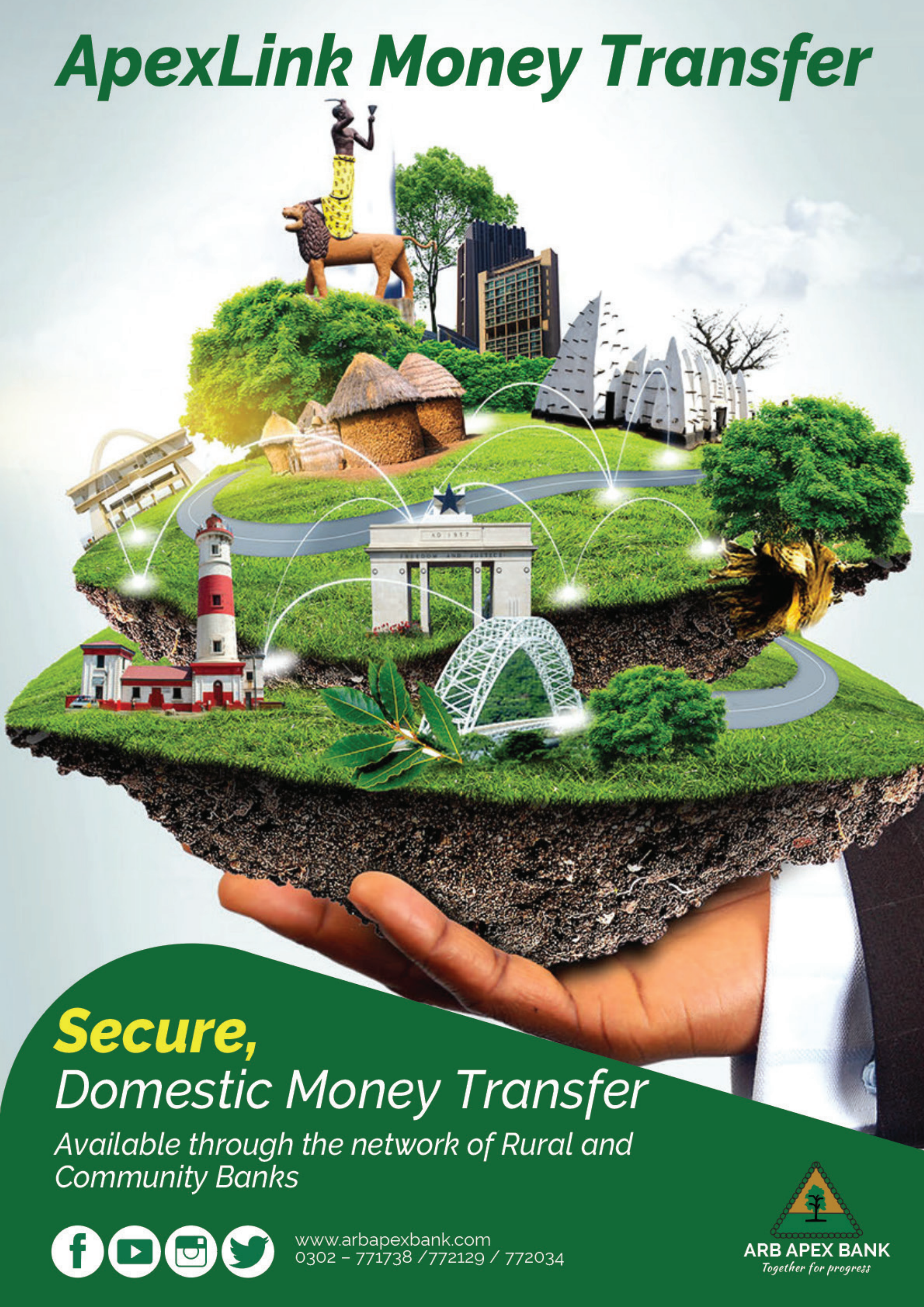
Designation..

Company Seal/ Stamp

RESOLUTIONS FROM THE BOARD	FOR	AGAINST
To receive the Chairman's statement and the Managing Director's report for the year ended 31st December 2017.		
To consider and adopt the Financial Statements of the Company for the year ended 31st December, 2017 together with the reports of the Directors and Auditors thereon.		
To ratify the decision of the Directors to source a GHS100 million loan through a bond programme.		
To fix the remuneration of Directors		

Please indicate with an 'X' in the appropriate square how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting at his/her discretion.

NOTES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