ARB APEX BANK

Together for progress

ANNUAL REPORT

2018

Read The Rural Banker

for information about the Rural Banking sector

Digital versions available at
www.arbapexbank.com/publications or www.theruralbanker.com

CONTENTS

General Information	2
Notice of Annual General Meeting	3
Board of Directors	4
Report of the Directors	5
Management Team	6
Chairman's Report	10
Managing Director's Report	13
Independent Auditors' Report	17
Financial Statements	21
Financial Highlights	22
Statement of profit or loss and other comprehensive income	23
Statement of financial position	24
Statement of changes in equity	25
Statement of cash flows	26
Notes to the Financial Statements	28
Proxy Form	80

01.
GENERAL INFORMATION:

BOARD OF DIRECTORS

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

REGISTERED OFFICE	P.O. BOX GP 20321, Accra No. 5, 9th Road Gamel Abdul Nasser Avenue South Ridge, Accra Ghana Post GPS: GA 053-7581
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

02.
NOTICE OF ANNUAL GENERAL MEETING OF THE ARB APEX BANK LIMITED

NOTICE IS HEREBY GIVEN THAT the 17th Annual General Meeting of the ARB Apex Bank Limited will be held on Saturday, April 27, 2019 at 10:00 am at the Volta Serene Hotel, Ho to transact the following business:

1. To receive the Chairman's Statement and the Managing Director's Report for the year ended 31st December, 2018.

2. To consider and adopt the Financial Statements of the Bank for the year ended 31st December, 2018 together with the Reports of the Directors and Auditors thereon.

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

4. To fix the remuneration of Directors.

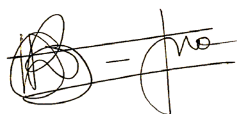
NOTES:

- In accordance with Regulation 24(2) of the Bank's Regulations, each Rural/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 25TH DAY OF MARCH, 2019

BY ORDER OF THE BOARD



CURTIS W. BRANTUO
COMPANY SECRETARY

03.
BOARD OF DIRECTORS

James Kwame Otieku
Board Chairman

Mr. Curtis William Brantuo
Board Secretary

Osagyefo Amanfu Edu VI
Vice Chairman

Anthony K. Forkah
Member

Alhaji Fusheini Seidu
Member

Nana Bram Okae II
Member

Ronald Acquah-Arhin
Member

Nana Akowuah Boamah
Member

Yaw Odame-Darkwa
Member

Yvonne Quansah
Member

Larry Kwesi Jiagge
Member

Dr. Philip Amakye
Member

Dr. Joseph France
Member

Kojo Mattah
Member

04.

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 2018.

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 Regulations 2006 (L.I. 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 2018 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.

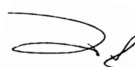
Activities

Operational Results	**2018 GH¢**	**2017 GH¢**
Profit/(loss) before taxation	**914,239**	2,009,690
Income tax credit	**(719,581)**	2,449,960
Profit/(loss) after tax for the year	**194,658**	4,459,650
Other Comprehensive income	**267,352**	(104,720)
	462,010	4,354,930

Signed on behalf of the Board by:

Director

Date: 28 March, 2019



Director

Date: 28 March, 2019

05. MANAGEMENT TEAM

Kojo Mattah
Managing Director

Kojo holds a Master's degree in Business Administration, with Distinction, from Cardiff University in Wales, United Kingdom. He is a member of the Institute of Chartered Accountants (Ghana), a member of the Chartered Institute of Marketing (CIM) UK and Ghana, and is currently the President of the Chartered Institute of Marketing, Ghana (CIMG). He is also a member of the Institute of Directors (Ghana).

He has over thirty years wealth of experience spanning banking, auditing, financial management, project and operations management, internal control, systems design and improvement.

Mr Mattah had consulted for Rural and Community Banks, Financial Services as well as Savings and Loans companies. He was the National Director of SOS Children's Villages Ghana. He also worked with Metropolitan and Allied Bank (now UT Bank) as Senior Manager in charge of Strategy, Finance and Management Information, and as Finance Manager at Barclays Bank Ghana Limited. Before joining Barclays Bank, he was Audit Manager at Benning Anang & Partners, a firm of Chartered Accountants.

Kojo was a member of the Board of the Ghana Broadcasting Corporation (GBC) and Anlo Rural Bank Limited. He is a Trustee of Teachers Fund.

Alex Kwasi Awuah
Deputy Managing Director

Alex joined the ARB Apex Bank Limited on 1st November 2013 as Head of Internal Control Department. He was subsequently appointed to the position of Deputy Managing Director on 4th of June 2015.

He holds a BSc in Business Administration (Business and Finance Option) and an Executive Master of Business Administration (Finance Option) from University of Ghana Business School. He is also an Associate of The Chartered Institute of Bankers (ACIB). He has 20 years banking experience, serving in various capacities.

Curtis W. Brantuo
Head, Legal & Compliance

Curtis joined the ARB Apex Bank Limited on 1st February, 2008. He holds a B. A. (Sociology Psychology) and Q. C. L, B. L in Law.

He has a post-graduate certificate in Information Technology Law from the Wisconsin University College, Ghana and an MBA (Banking & Finance) from the Paris Graduate School of Management. He has 16 years experience in the law profession.

Collins Ofori-Adu
Head, Internal Control

Collins has over thirty (30) years Financial Industry experience in, Audit and Internal Controls, Branch Inspection, Branch Banking, Business Development, and Risk Management.

Collins worked with Ecobank Ghana Limited as Head, Operational Risk West African Monetary Zone (WAMZ) Cluster. Previously, he worked with Bank for Housing and Construction, National Investment Bank and the Meridian BIAO Bank and the Trust Bank Limited. He has Senior Management level experience in Domestic Banking Operations, Internal Control, Risk Management, Compliance and Internal Audit. He holds Bsc. (Accounting Option) from the University of Ghana, Legon and MBA (Finance Option) from Ghana Institute of Management and Public Administration (GIMPA). Collins Ofori-Adu is an Associate Member of the Toronto Centre for Leadership and Banking Supervision.

Michael Appiah
Head, Operations

Michael is the first and only (epi) Certified Data Centre Expert (CDCE), Certified Data Centre Specialist (CDCS) and Certified Data Centre Professional (CDCP) in Ghana. He has more than 17 years of consulting experience in ICT, Retail and Rural Banking.

His core competencies include, Core Banking Implementation Support, Data Centre Design, Implementation, Operations and Retirement, IT Systems Requirement Development, Wide Area Network (WAN) Management, Business Process Re-engineering, E-Banking, IT Strategy Development, IT Systems Quality Assurance and Project Management.

Prior to joining ARB Apex Bank, he was the Managing Partner of FMS Technology Group, an IT Consulting Company with special focus on the financial sector and data centre consulting. He has also worked with ARB Apex Bank where as head of the Data Centre, he led the Rural Banks' Computerisation and Interconnectivity Project.

Appiah holds a Master's Degree in Information Technology from the Open University of Malaysia and a Bachelor of Science Degree in Computer Science and Statistics from the University of Ghana, Legon.

Dr. Joseph Osei Asantey
Head, Risk & Credit

Joseph was the Chief Risk Officer of Premium Bank Prior to joining ARB Apex Bank as the Head of Risk and Credit Management. At Standard Chartered Bank Ghana Limited, Asantey, joined the Credit Risk Team, as a Senior Manager, played different Credit Risk and Operational Risk Roles, and was later made a member of the Africa Retail Risk Policy Team at the Bank.

He has also worked with the Bank of Africa, Ghana Limited (the then Amalgamated Bank), where he rose through the ranks to become an Acting Head of Credit Risk. Asantey also worked with the National Board for Small Scale Industries across five regions of the country, namely, Central, Eastern, Greater Accra, Western and Volta, respectively. He has a combined working experience of 19 years.

Asantey holds an MSc in Economics and EMBA in Banking and Finance. He is a Chartered Economic Policy Analyst (CEPA, USA), a Chartered Financial Economist (CFE, USA), a Certified Risk Analyst (CRA), a Certified Operational Risk Manager, (CORM), Fellow of the Global Academy of Finance and Management (FGAFM, USA), and a Fellow of the Association of Certified Chartered Economists (FCCE, USA Global).

He holds a PhD in Business Administration (Finance Major).

Gordon P. D. Dery
Head, Business Devt., Marketing & Research

Gordon was an Associate Executive Director for Wealth Management at FirstBanC Financial Services until he joined ARB Apex Bank, . He also served as Head of Marketing and later the Director for Business Development.

Before FirstBanC, he worked with Eximguaranty Company Ghana as Head of Marketing, Research and Product Development.

Gordon has also worked with Fidelity Bank as a Relationship Manager. Before Fidelity Bank, he was a lecturer at the Regent University College of Science and Technology as well as the Ghana Institute of Management and Public Administration (GIMPA).

He holds an MBA in Strategic Marketing from the University of Hull in the United Kingdom and a Post-graduate Diploma in Marketing (CIM, UK). He also holds a Bachelor of Arts Degree in Economics and a Diploma in Education from the University of Cape Coast.

Dery is a full member of the Chartered Institute of Marketing, Ghana (CIMG), where he also serves on the Project Committee. He is a full member of the Global Marketing Network. He is fully licensed by the Ghana Stock Exchange (GSE) as an Investment Banker.

Benjamin Chemel
Head, Finance & Administration

Benjamin is a Chartered Accountant, a Banker and a Finance Professional with over 19 years experience in the financial services industry. His wealth of experience spans Financial Control, Financial Reporting, Strategic Planning, Budgeting, Treasury Management, Procurement and Project Management.

He joined the ARB Apex Bank in August 2004 as the Head Office Accountant. By dint of hard work, he rose through the ranks to become the Deputy Head, Finance and Strategic Planning in 2009. Until his appointment as the Head, Finance and Administration, he was the Head, Finance and Strategy Unit of the same Bank.

Mr. Chemel is a Fellow of the Association of Certified Chartered Accountants (FCCA), and a member of the Chartered Institute of Bankers, Ghana (ACIB). He holds MBA in Finance from the Ghana Institute Management and Public Administration (GIMPA) and a Bachelor of Science in Applied Accounting from the Oxford Brookes University, UK.

06.
CHAIRMAN'S REPORT

Mr. James Kwame Otieku
Board Chairman

"Your Bank managed to record improvement in most of the important financial indicators. A moderate profit before tax of GH¢914,200 was recorded. The balance sheet grew by 20.9 percent, to GH¢394.5 million. Total deposits rose to GH¢341.2 million in 2018, representing a growth of 22.8 percent. Loans and advances grew by 26.4 percent to GH¢37.8 million"

INTRODUCTION

Distinguished Shareholders, Fellow Directors, Ladies and Gentlemen, it is my pleasure once again to welcome you to the 17th Annual General Meeting (AGM) of the ARB Apex Bank Limited and to present to you the performance of your Bank for the 2018 financial year.

THE GLOBAL ECONOMY

The global economy which showed great signs of expansion in the first half of 2018, moderated towards the end of 2018 amid tightening financing conditions and weakening financial market sentiments. There was uncertainty about resolution of trade tension between the United States and China, and the challenges associated with the Brexit negotiations lingered on.

In Sub-Saharan Africa, growth continued to rise marginally in 2018 supported by firming commodity prices, gradual strengthening of domestic demand and improved economic activity in the large economies of Nigeria and South Africa. However, rising oil prices, higher yields in the United States bonds market, dollar appreciation, trade tensions, and geopolitical conflict posed a challenge to many emerging economies including Ghana.

THE GHANAIAN ECONOMY

The economy grew by 7.4 percent year-on-year in the third quarter of 2018, following a 5.4 percent expansion in the second quarter, mostly driven by the industry and services sectors. A consumer and business confidence survey conducted by the Bank of Ghana in December, 2018 pointed to improved sentiments and optimism about the performance of the domestic economy.

Global financial developments, in particular strengthening of the US Dollar and US Federal rate hikes, and in addition increased domestic demand pressures, adversely impacted the domestic currency market. The Cedi cumulatively depreciated by 8.4 percent in 2018, compared with 4.9 percent in 2017. However, the Cedi depreciated more moderately against the Pound and Euro by 3.3 percent and 3.9 percent respectively, compared with 12.9 percent and 16.2 percent depreciation in 2017.

Consumer price inflation broadly trended downwards in 2018, despite marginal surges in the course of the year. Inflation dropped from 11.8 percent in December 2017 to 9.4 percent in December 2018.

THE BANKING INDUSTRY

The banking industry in Ghana remained adequately liquid, profitable and solvent. The asset size of the banking sector rose to GH¢107.34 billion at end-December 2018, registering an annual growth of 14.7 percent, compared with 13.3 percent growth at end-December 2017.

Asset quality was enhanced with the Non-Performing Loan (NPL) ratio declining to 18.2 percent in December 2018 from 21.6 percent a year earlier, largely as a result of enforcement of the Bank of Ghana's loan loss write-off policy.

The recapitalization exercise ended in December 2018 with a total of 23 banks meeting the minimum requirement. These comprised fourteen (14) foreign-controlled banks and nine (9) domestically-controlled banks. We believe that this will make the banks sound, liquid and well-positioned to serve the patrons of banking services better and restore confidence in the banking sector.

On our rural banks front, as at December 2018, 108 rural and community banks had complied with the minimum capital requirement of GH¢1.0 million, with the other 36 at different levels of compliance. A key challenge to the rural banking industry is the significant investments in some microfinance and asset management companies that have become difficult to redeem. The ARB Apex Bank is in touch with the Securities and Exchange Commission (SEC) and the Bank of Ghana in an attempt to retrieve these investments.

THE BANK'S PERFORMANCE

Dear Shareholders, our Bank is not out of the woods yet as it recovers slowly from the losses recorded in 2016 coupled with the downward trending of interest rates. Let me emphasize that over 75 percent of the Bank's revenue is interest related and falling interest rates had a further knock-on effect on revenue.

Despite the above conditions, your Bank managed to record improvement in most of the important financial indicators. A moderate profit before tax of GH¢914,200 was recorded compared to the GH¢2.0 million recorded in 2017. Total operating income rose from GH¢48.9 million to GH¢55.5 million, representing a growth of 13.5 percent.

The following are other key financial indicators at December 31, 2018:

- The balance sheet grew by 20.9 percent, from GH¢326.4 million in 2017 to GH¢394.5 million in 2018.
- Total deposits rose from GH¢277.9 million in 2017 to GH¢341.2 million in 2018, representing a growth of 22.8 percent.
- Loans and advances grew by 26.4 percent to GH¢37.8 million at the end of 2018 from GH¢29.9 million in 2017.

We wish to assure you, our cherished shareholders, that we have plans to implement various projects to improve upon service delivery and the income streams of the Bank. We are optimistic that the Bank would improve upon its profit performance and shareholder value in the years ahead.

DIVIDEND

Distinguished Shareholders, with the low capitalisation of your Bank and the need to increase the Bank's stated capital, there is the increasing need for accumulation of profits over time as we pursue measures to attract additional capital. We, therefore, do not propose the payment of dividends for the year under review.

CORPORATE SOCIAL RESPONSIBILITY

The Bank continues to deepen its relationship with communities and social partners by spending on some socially responsible activities. In 2018, an amount of GH¢138,400.00 (2017: GH¢303,600.00) was spent to support education, health and other worthy causes.

CHANGES TO THE BOARD

Distinguished Shareholders, Mr Daniel Ohene Kwaku Owusu was elected as the National President of the Association of Rural Banks at their last Biennial General Meeting (BGM) held at Bolgatanga and he replaces Dr. Nana Akowuah Boamah on the Board of the ARB Apex Bank. Let me take this opportunity to thank Dr. Nana Akowuah Boamah for his meritorious service to the Bank.

REVIEW OF THE ARB APEX BANK REGULATIONS, 2006 (L.I. 1825)

We wish to inform you that the review of the ARB Apex Bank Limited Regulations, 2006 (L.I. 1825) is in progress. Some of the key changes you would expect is the reduction of the number of board members of the Bank from thirteen to seven. These seven would be made up of four representatives from the Association of Rural Banks, a representative each from the Bank of Ghana and the Ministry of Finance and an independent director to be appointed by the Bank of Ghana.

OUTLOOK

It is estimated that the country's economy will grow by 7.4 percent in 2019 mainly to be driven by the industry sector. Inflation is expected to remain in the Central Bank's target range of 6 - 10 percent in 2019 as global inflation appears subdued. The medium-term growth prospects are positive due to the preparation of new oil wells, the reopening of the Obuasi mine and the implementation of other growth-oriented initiatives by the Government.

Ghana successfully completed its programme with the International Monetary Fund (IMF) and it is expected that the Government will be steadfast in the implementation of prudent policies to maintain the hard-earned stability in the macro economy.

Distinguished shareholders, your Bank has enacted a new 3-year Strategic Plan 2019 - 2021, which will focus on improving processes and transforming the rural banking industry digitally. I am happy to announce that our Strategic Plan has been given a boost by the Government and the World Bank through the Financial Sector Development Programme (FSDP) which is supporting the Bank with US$8.0 million. These funds will support the upgrade of the ICT infrastructure as well as the deployment of the much-talked-about agency banking platform to improve service delivery and expand access to financial services throughout the country.

I wish to assure you that the Bank will remain focused on its strategic objectives and continue to build on its achievements to deliver better services to all its stakeholders.

CAPITALISATION

The stated capital of your Bank is still below GHS10.0 million and this is not adequate for the business of the Bank. The 2017 Bank of Ghana inspection report put the required level of capital for your Bank at GHS150.0 million. This underscores the fact that your bank requires substantial addition to its stated capital to meet the regulatory requirement and improve its operations. It is our considered expectation that the revision of the ARB Apex Bank Regulations 2006, (L.I. 1825), which limits shareholding to only rural banks, would help us to address this challenge.

ACKNOWLEDGEMENTS

I wish to express my sincerest gratitude to my colleague Board members for their support and invaluable contributions. I salute the Management and staff of the Bank for their continued commitment to work and the RCBs for their loyalty. Let me thank our External Auditors for their partnership and dedication to the cause of the Bank.

Finally, I wish to thank you, our cherished Shareholders and colleague board members of our rural banks for your cooperation that has sustained the ARB Apex Bank over the years.

Thank you for your attention.

06.
THE MANAGING DIRECTOR'S REPORT

Mr. Kojo Mattah
Managing Director

"After a few difficult years, the picture is becoming clearer that the Bank is truly on the road to recovery. The road to recovery, all of us agree, is going to be a torrid one, particularly so because of the unending turbulence in the financial sector, which we believe has not fully settled"

INTRODUCTION

Mr. Chairman, Distinguished Directors and Shareholders, I am delighted to welcome you to the 17th Annual General Meeting (AGM) and to present a report on the financial performance of the Bank for the 2018 financial year. After a few difficult years, the picture is becoming clearer that the Bank is truly on the road to recovery. The road to recovery, all of us agree, is going to be a torrid one, particularly so because of the unending turbulence in the financial sector, which we believe has not fully settled. The universal banking sector clean up by the Bank of Ghana (BoG) was fully completed with the consolidation of five (5) universal banks into the now Consolidated Bank Ghana (CBG) and other mergers, which led to a reduction of the number of universal banks from the existing 33 at the beginning of the 2017 financial year to the current 23 banks. There have also been statements of intentions to tackle the micro-finance and Rural and Community Banking (RCB) ecosystem, which have adversely affected deposits of our member RCBs.

FINANCIAL PERFORMANCE

Distinguished Shareholders and Directors, notwithstanding the topsy-turvy banking environment in the country in the year under review, I am happy to announce that your Bank managed to record a moderate profit before tax (PBT) of GH¢914,200. Total Assets of the Bank grew by 20.9% from GH¢326.4 million in 2017 to GH¢394.5 million in 2018. Loans and advances increased from GH¢29.9 million in 2017 to GH¢37.8 million in 2018. In the face of falling interest rates, your Bank was able to increase its total revenue by 13.5% from

GH¢48.9 million recorded the previous year to GH¢55.5 million in 2018. It is worthy of mention that despite the modest gains, your Bank continued to spend substantially on the inspection of RCBs and also on subsidizing the communications cost of distressed RCBs.

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

We continue to represent all RCBs at the on-line Bankers Clearing House and facilitate cheque clearing and ACH transfers. The volume and value of cheques handled in 2018 were 175,609 and GH¢3,965.4 million respectively. ACH items handled during the year under review, were 32,891 valued at GH¢760.1 million. Even though the figures recorded in 2018 showed a modest gain over the previous year's performance, some RCBs were still clearing their cheques through other commercial banks. We wish to appeal to our RCBs to channel all their cheques through the ARB Apex Bank to enable your Bank to fully represent you in the national payments system.

REMITTANCE BUSINESS SUITE

Apexlink Product

It is worrisome that the Apexlink Money Transfer continued to tumble under intense competition from the mobile money transfer (MoMo) services, which are increasingly becoming a quicker way of sending and receiving remittances because of its convenience and proximity to beneficiaries. The number of Apexlink transactions dropped for the second consecutive time from 81,304 transaction counts, valued at GH¢457.6 million in 2017 to 49,666 transactions valued at GH¢249.3 million in 2018. Another cause of the reduction was the reluctance of some RCBs to honour Apexlink transactions which served as a source of dissatisfaction to affected customers.

Foreign Inward Transfers

The number of Western Union transactions recorded in 2018 was 185,154 compared to 235,414 recorded in 2017, representing a decrease of 21.3%. The value also declined from GH¢225.0 million in 2017 to GH¢194.1 million for the year under review.

MoneyGram services remained terminated during 2018 as a result of compliance infractions that were identified in some of our banks in 2017. We have been working hard to rectify some of the challenges with MoneyGram and get their services fully restored.

Unity Link transactions grew significantly from 8,265 valued at GH¢8.5 million to 12,474 valued at GH¢15.9 million.

The Bank added RIA Money Transfer to its bouquet of foreign inward transfer services in the last quarter of 2017. As at the end of 2018, the RIA transactions had grown to 8,463 valued GH¢9.8 million.

THE RURAL BANKER

Distinguished shareholders, The Rural Banker magazine, which was launched exactly a year ago in Kumasi has gained the enviable position as the official mouthpiece of the ARB Apex Bank and the RCB community and has been telling our stories in very positive and compelling ways. I am happy to announce that Issue # 5 of the Quarterly magazine is out, and would be available for all Directors and Shareholders here present.

The magazine, has received positive reviews and continues to attract advertising from some of Ghana's blue chip companies, including MTN, Silver Star Auto Limited, Millennium Insurance, Enterprise Insurance, Phoenix Insurance, NTHC Registrars, just to mention a few. The editorial team is continuously reviewing the business model to ensure that the magazine becomes self-sustaining as soon as practicable. One of the options on the table is a reduction of the hard print copies while increasing our digital and new media circulation as much as possible to still reach the half a million readership we have. The banks which have featured in the magazine so far can attest to the enormous goodwill and business patronage they are receiving. We encourage all our member banks to endeavour to feature in this attractive magazine, as it is a unique Public Relations tool for them.

STAFF

The Bank continues to invest in its human capital through training with the aim to enhancing their skillsets in order to improve their professionalism and customer service. The management team of the Bank was beefed up in the last quarter of 2018 by the employment of three new heads-of-department (HoDs). They are Mr. Michael Appiah, who heads the Operations Department, Mr. Gordon Dery, Business Development, Marketing and Research and Dr. Joseph Osei Asantey, who leads the Risk and Credit team. Mr. Benjamin Chemel was also appointed as the Head of Finance and Administration, following the retirement of Mr. Kwaku

Acheampong Ababio. Mr. Maximus Attah was also employed as the Manager for Corporate Communications and Marketing, following the retirement of Mrs. Eunice Osei-Bonsu. The staff strength of the Bank as at the end of the year under review stood at 162.

OUTLOOK FOR 2019

Mr. Chairman, Distinguished Shareholders and Directors, in 2019, your Bank would continue to pursue programmes that would improve processes, increase efficiency and diversify the income streams of the Bank and that of our member RCBs.

Agency Banking

The US$8.0 million World Bank sponsored Agency Banking project has finally been approved and is awaiting pilot implementation, following the appointment of a Project Consultant to the ARB Apex Bank by the World Bank. The first phase of the project is expected to sign up 1,000 agents (or Agency Bankers) across the country. With secure point of sale devices (PoS), customers can access myriads of banking services without necessarily walking into a banking hall. This project is expected to deepen rural financial inclusion and intermediation in the country.

Upgrade of Information Communication Technology Infrastructure

The T-24 core banking suite is being upgraded from the current licensing regime to an unlimited license era to give our member banks unlimited access to all the components of the modern banking application. When completed, the U-Connect Mobile Banking application would also be upgraded to allow patrons more flexibility and choice. It would allow customers to transfer and receive funds, check balances, print/view statements and balances and be able to link their bank accounts to their MoMo wallets to allow them to perform push and pull transactions.

The Bank is working to put in place the necessary infrastructure to comply with the Bank of Ghana directives on cyber security. We are also upgrading all the core ICT platforms with state-of-the-art firewalls to ward off cyber criminals.

Appeal to Member Banks

With the many initiatives mentioned being rolled out, our services can only get better. The future will be very exciting. We shall therefore continue to make overtures to members who have exited the core banking platform to come back. Some RCBs have already done so while the Boards of other banks are also reviewing their options and taking a more critical look at the business case of coming back onto the Temenos platform.

Expansion in ATM network

As the new vision of the Bank states: "to remain the most effective and efficient service provider to the RCBs", we shall endeavour to improve our service delivery and commitments to the RCBs so that our member banks can render enhanced services to their customers who would be proud to bank with them. In that regard, we have continued to deploy automated teller machines (ATMs) at RCBs across the country. The Bank has so far deployed more than 70 ATMs with the number expected to grow to more than 100 before the end of this year.

I humbly urge Directors of all our banks to take advantage of this value-added service and apply for the ATMs. For those banks which cannot purchase the ATMs, they can still apply to issue the ATM cards. So far, our secure EMV compliant ATM cards can be used on ATMs of as many as eleven (11) universal banks and Savings and Loans Companies. That is a huge advantage to the RCB customer, as they can use their cards on both RCB ATMs and ATMs of other banks.

Eastern Regional Branch Building

The ground breaking ceremony for the construction of the Koforidua Branch building was performed in March 2019. Construction of the ultra-modern office complex has already commenced in earnest and the building should be ready for handing over by November this year. When completed, the ground floor of the building would house our Koforidua Branch. The first floor would contain meeting rooms, which would serve training and other needs of the ARB Apex Bank as well as host meetings and other strategic activities of the Eastern Regional Chapter of the Association of Rural Banks. Again, provision would be made for an office space on the first floor, to provide for an optional office accommodation for the Chapter.

Leveraging our International Recognition

I am also happy to announce that ARB Apex Bank and the RCBs were awarded the 'Best in Inclusive Banking' at the recently held Temenos Community Forum (TCF), which

took place in The Hague, Netherlands from April 2nd to 4th, 2019. This award, signifies the endorsement of the power of ARB Apex Bank and the RCBs working together to deepen financial inclusion and intermediation in the country. It is also a testament of the global goodwill, that community financial intermediation in Ghana has attracted. We hope to leverage on this coveted award to do more for our esteemed customers and shareholders in 2019 and beyond.

CONCLUSION

I would like to take this opportunity to, once again, express my heartfelt gratitude to the Board for their visionary leadership and direction, our valued Shareholders and esteemed customers for their unflinching support as well the Management and Staff of the ARB Apex Bank for their cooperation during the year under review. I humbly urge the various stakeholders of the Bank to continue to support the vision in the coming years. Finally, I thank the Almighty God for His grace that has sustained us all.

Thank you.

07.

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 2018, 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 2018 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 Specialised Deposit-Taking Institutions Act 2016, (Act 930).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the 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 adopted IFRS 9 – Financial Instruments during the year, which requires the measurement of expected credit loss allowance for financial assets at amortised cost and fair value through other comprehensive income. The Bank reviews its loans and advances for impairment at the end of each reporting period. There are significant judgements made in the following areas in applying IFRS 9 – Financial Instruments. These include;	We evaluated the design and tested the implementation and operating effectiveness of the key controls over the computation of impairment loss. In evaluating the design 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.

Key Audit Matters	How our audit addressed the key audit matter
Loan Loss Provision	
-Determining the staging of financial assets of the Bank which includes establishing groups of similar financial assets -Determining criteria for significant increase in credit risk -Determination of the probability of default (PD) and Loss Given Default (LGD), which includes establishing the relative weightings of forward-looking scenarios for each type of loan and the associated Expected Credit Loss (ECL). 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 matter. 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. Additionally, given this is a first time adoption of IFRS 9, additional disclosures are required in the financial statements. ***Refer to note 7 and 14 for detailed disclosures.***	In performing operating effectiveness of controls, we selected a sample of transactions based on the control frequency to determine whether the control operated during the year. We performed an evaluation of management's key assumptions over the expected credit loss model (ECL), including the probability of default and the Loss Given Default. We challenged management's staging of its financial assets in the ECL module and tested facilities to ensure they have been included in the correct stage. We tested the underlying calibration data behind the determination of the probability of default by agreeing same to underlying supporting documentation. We found that the assumptions used by management were comparable with historical performance and have been assessed as reasonable. We further tested the disclosures to ensure that the required disclosures under IFRS 9 together with the first time adoption disclosures have been appropriately disclosed. We further assessed 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. 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;

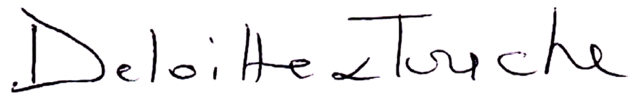
(b) We obtained all the information and explanations required for the efficient performance of our audit;

(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)**

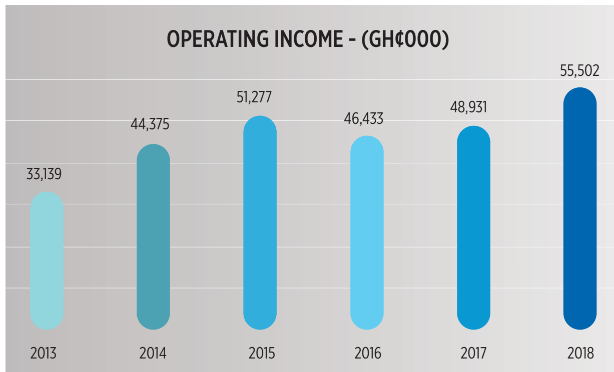


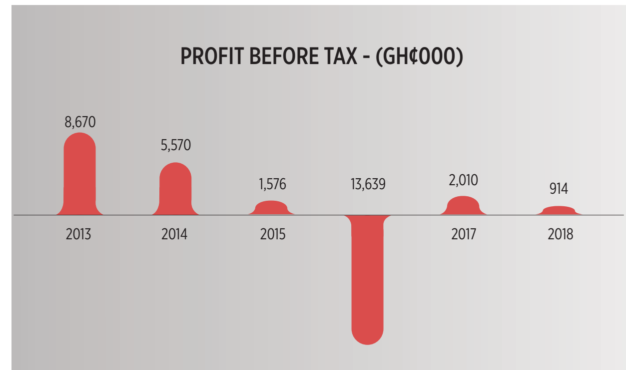
For and on behalf of Deloitte & Touche (ICAG/F/2018/129)
Chartered Accountants
Plot No.71, Off George Walker Bush Highway
North Dzorwulu
Accra Ghana

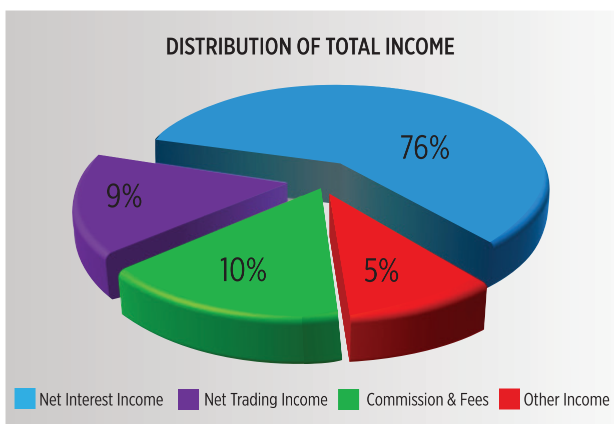
2nd April 2019

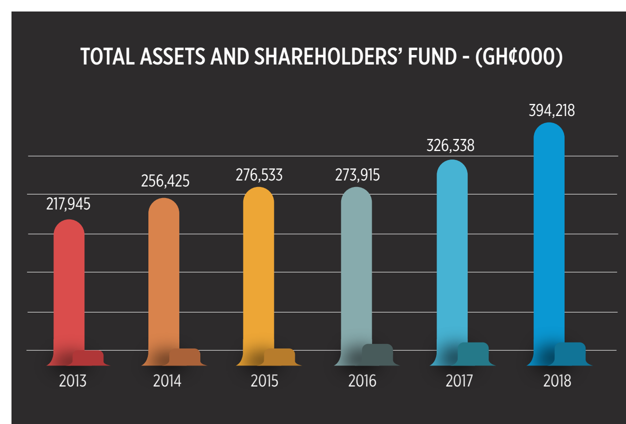
08.
FINANCIAL STATEMENTS
31 DECEMBER 2018

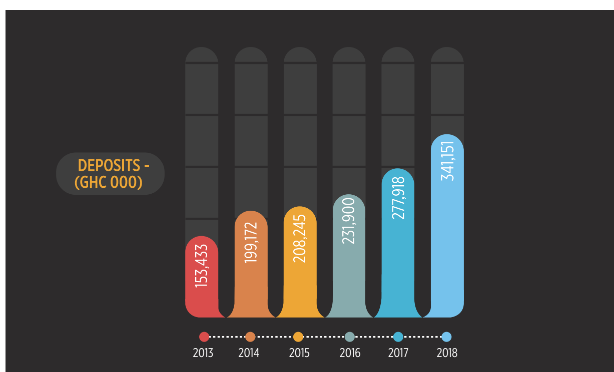
FINANCIAL HIGHLIGHTS

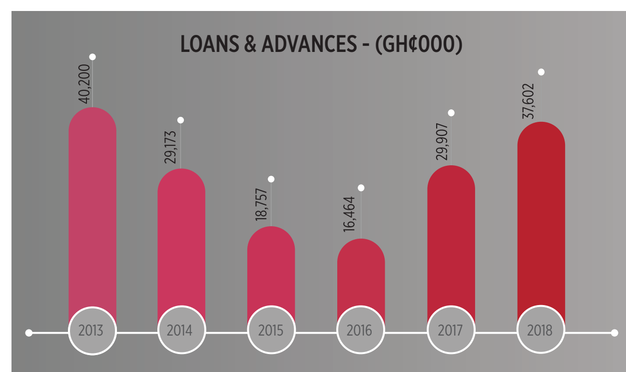












STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		GH¢	GH¢
Interest Income	3	52,501,891	49,972,120
Interest expense	4	(10,289,304)	(11,129,422)
Net interest income		42,212,588	38,842,698
Fees & commission income		5,656,735	4,704,413
Fees & commission expense		-	-
Net fee and commission income	5	5,656,735	4,704,413
Net trading income	6	4,761,915	2,840,075
Other operating income	6(b)	2,870,925	2,544,111
Total operating income		55,502,163	48,931,297
Provision no longer required		2,320,371	-
Bad debt written off		(2,320,371)	-
Net Impairment loss on financial asset	7	(724,831)	(176,913)
Net operating Income		54,777,331	48,754,384
Personnel expenses	8	(31,077,998)	(26,532,575)
Operating lease expenses	9(a)	(542,114)	(524,921)
Depreciation and amortisation	17	(5,050,842)	(3,886,776)
Other operating expenses	9	(17,192,139)	(15,800,421)
Total operating expenses		(53,863,093)	(46,744,693)
Profit /(Loss) before tax		914,239	2,009,690
Income tax credit/(charge)	10(a)	(719,581)	2,449,960
Profit /(Loss) for the period		194,658	4,459,650
Other comprehensive Income			
Items that will not be reclassified subsequently to profit or loss			
Gain/(loss) on post-retirement medical benefits (net)	21(b)	267,352	(104,720)
Total comprehensive income for the year		462,010	4,354,930
Profit /(Loss) for the year attributable to Owners of the bank		462,010	4,354,930
Earnings per share			
Basic earnings per share	11	0.04	0.43

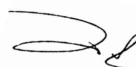
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

Assets	Notes	2018 GH¢	2017 GH¢
Cash and cash equivalents	12	223,524,786	181,225,544
Investment securities-(Amortised costs)	15	78,650,935	62,791,396
Loans and advances to customers	14	37,849,430	29,907,290
Investments (other than securities)	13	4,483,468	3,669,199
Corporate tax assets	10(d)	540,660	485,887
Deferred tax assets	10(c)	1,787,459	2,550,445
Intangible assets	17(c)	4,957,132	3,296,563
Other assets	16	31,446,070	28,493,726
Property, plant and equipment	17(a)	11,225,157	14,016,726
Total Assets		394,465,097	326,436,776
Total liabilities and equity Liabilities			
Deposits from customers	18	309,982,254	249,930,404
Other Deposits	18(a)	31,168,707	27,987,990
Government grant	19	2,379,300	2,481,045
Long term borrowing	37	1,209,551	-
Other liabilities	20	19,781,928	16,822,316
Total liabilities		364,521,740	297,221,755
Equity			
Issued capital	24	9,194,390	9,140,190
Income surplus		8,797,856	8,038,016
Statutory reserves	25	11,890,537	11,866,205
Credit risk reserves	26	-	377,388
Other Reserves	27	60,574	(206,778)
Total Equity		29,943,357	29,215,021
Total Liabilities and Equity		394,465,097	326,436,776

Director

28 March 2019

Date



Director

28 March 2019

Date

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

STATEMENT OF CHANGES IN EQUITY
AS AT 31 DECEMBER 2018

	Stated Capital	Income surplus	Regulatory credit risk reserves	Other Reserves	Statutory reserves	Total
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
At 31 December 2017 (IAS 39)	**9,140,190**	**8,038,016**	**377,388**	**(206,778)**	**11,866,205**	**29,215,021**
Decrease in impairment provision due to adoption of IFRS 9	**-**	**247,034**	**-**	**-**	**-**	**247,034**
Deferred tax under provided - 2017	**-**	**(34,907)**	**-**	**-**	**-**	**(34,907)**
At 1 January 2018 (IFRS 9)	**9,140,190**	**8,250,143**	**377,388**	**(206,778)**	**11,866,205**	**29,215,021**
Profit for the year	**-**	**194,657**	**-**	**-**	**-**	**194,657**
Other comprehensive income	**-**	**-**	**-**	**267,352**	**-**	**267,352**
Total comprehensive income	**9,140,190**	**8,444,800**	**377,388**	**60,574**	**11,866,205**	**29,924,064**
Transfer to statutory reserves	**-**	**(24,332)**	**-**	**-**	**24,332**	**-**
Transfer from regulatory credit risk reserve		**377,388**	**(377,388)**		**-**	
Shares Issued	**54,200**	**-**	**-**	**-**	**-**	**54,200**
Balance as of 31 December 2018	**9,194,390**	**8,797,856**	**-**	**60,574**	**11,890,537**	**29,943,357**

	Stated Capital	Income surplus	Regulatory credit risk reserves	Other Reserves	Statutory reserves	Total
	GH¢	GH¢	GH¢	GH¢	GH¢	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 to statutory reserves	-	(557,456)	-	-	557,456	-
Transfer from 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**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 GH¢	2017 GH¢
Cash Flows From Operating Activities			
(Loss) /Profit before taxation		**914,239**	2,009,691
Adjustments for:			
Depreciation and amortisation		**5,050,842**	3,886,776
Impairment on financial assets		**724,831**	176,913
Impairment provision no longer required		**2,320,371**	-
Actuarial (gains)/loss		**356,469**	(104,720)
Cuopon income-Preference shares		**(814,269)**	(599,669)
Notional Interest income		**(892,876)**	(871,890)
(Profit)/loss on disposal of property, plant and equipment		**51,805**	(23,021)
Unrealised Exchange (gains) /Losses		**(305,453)**	(271,393)
Capital grant amortisation		**(101,745)**	(107,742)
		7,304,215	4,094,945
Changes in Workings Capital items			
Change in loans and advances to customers		**(5,895,953)**	(12,747,941)
Change in other assets		**(2,952,343)**	(3,660,460)
Change in deposits from customers		**60,051,850**	23,266,787
Change in other deposits		**3,180,716**	22,751,173
Change in other liabilities and provisions		**2,959,612**	2,210,096
		64,648,097	35,914,602
Interest/Finance cost		**(3,487,628)**	-
Income tax paid		**(100,485)**	(150,000)
Net cash generated from operating activities		**61,059,984**	35,764,602
Cash Flows From Investing Activities			
Purchase of investing securities		**(15,859,539)**	(7,371,182)
Purchase of property, plant and equipment		**(3,733,173)**	(3,300,657)
Proceeds from the sale of property and equipment		**171,079**	48,706
Purchase of intangible assets		**(908,314)**	(717,384)
Transfers of PPE & intangible assets		**-**	1,128,955
Net cash flows used in investing activities		**(20,329,947)**	(10,211,562)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018 CONT'D.

	Note	2018	2017
Financing Activities			
Proceed from share issue		**54,200**	46,700
Change in Borrowings		**1,209,551**	-
Net cash flows generated from financing activities		**1,263,751**	46,700
Net Increase / (decrease) in cash and cash equivalents		**41,993,788**	25,599,740
Cash and cash equivalents at 1 January		**181,225,544**	155,354,413
Effects of Exchange rate fluctuations on cash held		**305,453**	271,393
Cash And Cash Equivalents as at 31 December	12	**223,524,786**	181,225,544

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

09.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 (GH¢) which is the functional currency and under the historical cost convention (unless otherwise stated).

The Bank has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in Note 14.

Statement of compliance

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

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.

Deferred tax assets

Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Bank's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and determining the forward looking information relevant to each scenario: When measuring ECL the Bank uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

• Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

• Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements, including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

• Fair value measurement and valuation process: In estimating the fair value of a financial asset or a liability, the Bank uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Bank uses valuation models to determine the fair value of its financial instruments.

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%
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 therefrom 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 Rural and Community Banks include foreign inward transfer, training, specie services and management fees from donor fund management.

2.2.8 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

2.2.9 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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.

2.2.10 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.

2.2.11 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.

2.2.12 IFRS 9: Financial Instruments

The Bank has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not early adopt any provisions of IFRS 9 in the previous periods.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

liabilities at the date of transition were recognised in opening retained earnings and other reserves in the current period. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the Bank's accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7: Financial Instruments Disclosures.

Set out below are the specific IFRS 9 accounting policies applied in the current period. Further disclosures relating to the impact of the adoption of IFRS 9 on the Bank are made in Note 3.3.

(i) Classification and measurement of financial assets

Financial assets are recognised in the Bank's balance sheet when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortised cost. Subsequent classification and measurement for debt securities is based on the Bank's business model for managing the financial instruments and the contractual cash flow characteristics of the instruments.

Debt instruments are measured at amortised cost if both of the following conditions are met and the asset is not designated as FVTPL:
(a) the asset is held within a business model that is Held-to-Collect (HTC) as described below, and
(b) the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Debt instruments are measured at FVOCI if both of the following conditions are met and the asset is not designated as FVTPL:
(a) the asset is held within a business model that is Held-to-Collect-and-Sell (HTC&S) as described below, and
(b) the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI.

(ii) Business model assessment

The Bank determines the business models at the level that best reflects how portfolios of financial assets are managed to achieve the Bank's business objectives. Judgment is used in determining the business models, which is supported by relevant, objective evidence including:

• How the economic activities of our businesses generate benefits, for example through trading revenue, enhancing yields or other costs and how such economic activities are evaluated and reported to key management personnel;

• The significant risks affecting the performance of our businesses, for example, market risk, credit risk, or other risks and the activities undertaken to manage those risks; and
• Historical and future expectations of sales of the loans or securities portfolios managed as part of a business model.
The Bank's business models fall into three categories, which are indicative of the key strategies used to generate returns:

• Hold-to-Collect (HTC): The objective of this business model is to hold loans and securities to collect contractual principal and interest cash flows. Sales are incidental to this objective and are expected to be insignificant or infrequent.

• Hold-to-Collect-and-Sell (HTC&S): Both collecting contractual cash flows and sales are integral to achieving the objective of the business model.

• Other fair value business models: These business models are neither HTC nor HTC&S, and primarily represent business models where assets are held-for-trading or managed on a fair value basis.

(iii) SPPI Assessment

Instruments held within a HTC or HTC&S business model are assessed to evaluate if their contractual cash flows are comprised of solely payments of principal and interest. SPPI payments are those which would typically be expected from basic lending arrangements. Principal amounts include par repayments from lending and financing arrangements, and interest primarily relates to basic lending returns, including compensation for credit risk and the time value of money associated with the principal amount outstanding over a period of time. Interest can also include other basic lending risks and costs (for example, liquidity risk, servicing or administrative costs) associated with holding the financial asset for a period of time, and a profit margin.

Where the contractual terms introduce exposure to risk or variability of cash flows that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

(iv) Investment Securities

Investment securities include all securities classified as FVOCI and amortised cost. All investment securities are initially

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

recorded at fair value and subsequently measured according to the respective classification. Prior to our adoption of IFRS 9, Investment securities comprised of available-for-sale securities and held-to-maturity securities.

Investment securities carried at amortised cost are measured using the effective interest method, and are presented net of any allowance for credit losses, calculated in accordance with our policy for allowance for credit losses, as described below. Interest income, including the amortization of premiums and discounts on securities measured at amortised cost are recorded in interest income. Impairment gains or losses recognized on amortised cost securities are recorded in Allowance for credit losses. When a debt instrument measured at amortised cost is sold, the difference between the sale proceeds and the amortised cost of the security at the time of the sale is recorded as a gain/(loss) on Investment securities in Net trading and revaluation income.

Debt securities carried at FVOCI are measured at fair value with unrealized gains and losses arising from changes in fair value included in fair value reserve. Impairment gains and losses are included in allowance for credit losses and correspondingly reduce the accumulated changes in fair value included in fair value reserve. When a debt instrument measured at FVOCI is sold, the cumulative gain or loss is reclassified from fair value reserve to net gain/(loss) on Investment securities in net trading and revaluation income

(v) Loans

Loans are debt instruments recognized initially at fair value and are subsequently measured in accordance with the classification of financial assets policy provided above. Loans are carried at amortised cost using the effective interest method, which represents the gross carrying amount less allowance for credit losses.

Interest on loans is recognized in interest income using the effective interest method. The estimated future cash flows used in this calculation include those determined by the contractual term of the asset and all fees that are considered to be integral to the effective interest rate.

Also included in this amount are transaction costs and all other premiums or discounts. Fees that relate to activities such as originating, restructuring or renegotiating loans are deferred and recognized as Interest income over the expected term of such loans using the effective interest method. Where there is a reasonable expectation that a loan will be originated, commitment and standby fees are also recognized as interest income over the expected term of the resulting loans using the effective interest method. Otherwise, such fees are recorded as other liabilities and amortised into Other operating income over the commitment or standby period.

Impairment losses on loans are recognized at each balance sheet date in accordance with the three-stage impairment model outlined below.

(vi) Allowance for credit losses

An allowance for credit losses (ACL) is established for all financial assets, except for financial assets classified or designated as FVTPL and equity securities designated as FVOCI, which are not subject to impairment assessment. Assets subject to impairment assessment include loans, overdrafts and debt securities. These are carried at amortised cost and presented net of ACL on the Statement of Financial Position. ACL on loans is presented in Allowance for credit losses - loans and advances. ACL on debt securities measured at FVOCI is presented in Fair value reserve in equity. Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments. For all other off-balance sheet products subject to impairment assessment, ACL is separately calculated and included in Other Liabilities – Provisions.

The ACL is measured at each reporting date according to a three-stage expected credit loss impairment model which is based on changes in credit risk of financial assets since initial recognition:

1) Performing financial assets:

• Stage 1 – From initial recognition of a financial asset to the reporting date, where the asset has not experienced a significant increase in credit risk relative to its initial recognition, a loss allowance is recognized equal to the credit losses expected to result from defaults occurring over the 12 months following the reporting date. Interest income is calculated on the gross carrying amount of these financial assets.

• Stage 2 – Following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognized equal to the credit losses expected over the remaining lifetime of the asset. Interest income is calculated on the gross carrying amount of these financial assets.

2) Impaired financial assets

• Stage 3 – When a financial asset is considered to be credit-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

impaired, a loss allowance is recognized equal to credit losses expected over the remaining lifetime of the asset. The Stage 3 expected credit loss impairment model is based on changes in credit quality since initial recognition. Interest revenue is calculated based on the carrying amount of the asset, net of the loss allowance, rather than on its gross carrying amount. The ACL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. For loan commitments, credit loss estimates consider the portion of the commitment that is expected to be drawn over the relevant time period.

For financial guarantees, credit loss estimates are based on the expected payments required under the guarantee contract.

Increases or decreases in the required ACL attributable to purchases and new originations, derecognitions or maturities, and remeasurements due to changes in loss expectations or stage migrations are recorded in provision for credit losses. Write-offs and recoveries of amounts previously written off are recorded against ACL.

The ACL represents an unbiased estimate of expected credit losses on our financial assets as at the balance sheet date. Judgment is required in making assumptions and estimations when calculating the ACL, including movements between the three stages and the application of forward looking information. The underlying assumptions and estimates may result in changes to the provisions from period to period that significantly affect our results of operations.

(vii) Measurement of expected credit losses

Expected credit losses are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. The measurement of expected credit losses is based primarily on the product of the instrument's probability of default (PD), loss given default (LGD) and exposure at default (EAD) discounted to the reporting date. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

An expected credit loss estimate is produced for each individual exposure. Relevant parameters are modelled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information.

Expected credit losses are discounted to the reporting period date using the effective interest rate.

(viii) Assessment of significant increase in credit risk

The assessment of significant increase in credit risk requires significant judgment. The Bank's process to assess changes in credit risk is based on the use 'backstop' indicators. Instruments which are more than 30 days past due may be credit-impaired. There is a rebuttable presumption that the credit risk has increased significantly if contractual payments are more than 30 days past due; this presumption is applied unless the bank has reasonable and supportable information demonstrating that the credit risk has not increased significantly since initial recognition.

In addition, the Bank also considers the following conditions in assessing a significant increase in credit risk especially for corporate loans and advances:

(i) Inadequate or unreliable financials and other information such as unavailability of audited financial statements.

(ii) A downgrade of a borrower by a recognised credit rating agency.

(iii) Non-cooperation of the borrower in matters pertaining to documentation.

(iv) Borrower is the subject of litigation by third parties that may have a significant impact on his financial position.

(v) Frequent changes in senior management of the obligor.

(vi) Intra-group transfer of funds without underlying transactions.

(vii) Deferment/delay in the date of commencement if commercial operations by more than one year.

(viii) Modification of terms resulting in concessions granted to the borrower including extension of moratorium, deferment of payment, waiver of covenants etc.

(ix) Expectation of forbearance or restructuring due to financial difficulties.

The following are however considered as exceptions:

(1). Outstanding obligation is a result of an amount being disputed between the bank and obligor where the dispute is not more than 90 days.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(2). Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% is considered insignificant. Only applicable where there is no significant increase in credit risk and analysed on a case by case basis.

The assessment is generally performed at the instrument level and it is performed at least on quarterly basis. If any of the factors above indicate that a significant increase in credit risk has occurred, the instrument is moved from Stage 1 to Stage 2. The assessments for significant increases in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1 after 90 days.

Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired after 90 days. An asset will not move back from stage 3 to stage 1 until after a minimum of 180 days, if it is no longer considered to be credit impaired.

For certain instruments with low credit risk as at the reporting date, it is presumed that credit risk has not increased significantly relative to initial recognition. Credit risk is considered to be low if the instrument has a low risk of default, and the borrower has the ability to fulfill their contractual obligations both in the near term and in the longer term, including periods of adverse changes in the economic or business environment.

(ix) Use of forward looking information

The measurement of expected credit losses for each stage and the assessment of significant increase in credit risk considers information about past events and current conditions as well as reasonable and supportable projections of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

The PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation includes a projection of all relevant macroeconomic variables applying scenario weights. Macroeconomic variables used in our expected credit loss models include GDP growth rate, interbank rates, inflation rate and population growth rate.

Our estimation of expected credit losses in Stage 1 and Stage 2 is a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario is based on macroeconomic forecasts published by relevant government agencies. Upside and downside scenarios vary relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Additional and more severe downside scenarios are designed to capture material non-linearity of potential credit losses in portfolios. Scenario design, including the identification of additional downside scenarios, occurs at least on an annual basis and more frequently if conditions warrant.

Scenarios are designed to capture a wide range of possible outcomes and weighted according to our best estimate of the relative likelihood of the range of outcomes that each scenario represents. Scenario weights take into account historical frequency, current trends, and forward-looking conditions and are updated on a quarterly basis. All scenarios considered are applied to all portfolios subject to expected credit losses with the same probabilities.

Our assessment of significant increases in credit risk is based on changes in probability-weighted forward-looking lifetime PD as at the reporting date, using the same macroeconomic scenarios as the calculation of expected credit losses.

(x) Definition of default

A default is considered to have occurred with regard to a particular obligor when either or both of the following events have taken place.

• The bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse by the bank to actions such as realising security (if held).

• The obligor is past due more than 90 days on any material credit obligation to the bank (principal or interest). Overdrafts will be considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than current outstanding.

• Interest payments equal to 90 days or more have been capitalized, rescheduled, rolled over into a new loan (except where facilities have been reclassified)

The elements to be taken as indications of unlikeliness to pay include:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

- The bank sells the credit obligation at a material credit-related economic loss.
- The bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or (where relevant) fees.
- The bank has filed for the obligor's bankruptcy or a similar order in respect of the obligor's credit obligation to the banking group.

The following are considered as exceptions:
a. Outstanding obligation is a result of an amount being disputed between the bank and obligor where the dispute is not more than 150 days;

b. In the case of specialized loans, default is defined as where the obligor is past due more than 180 days on any material credit obligation to the bank (principal or interest). In addition, it is consistent with the Bank's historical default pattern on this category of loans. The specialized loans to which this is applicable are Project Financing, Object Financing, Income Producing Real Estate, Commercial Real Estate and Mortgage Loans;

c. Outstanding obligation is an insignificant amount compared to the total amount due. Any amount not more than 10% of amount due is considered insignificant. Only applicable where there is no significant increase in credit risk and analysed on a case by case basis.

d. Exposure is still in default due to a new debit when the initial debit has been cleared. Usually occurs when the debit that initiated the initial days past due has been paid but the days past due continues to reflect a debit.

(xi) Credit-impaired financial assets (Stage 3)

Financial assets are assessed for credit-impairment at each balance sheet date and more frequently when circumstances warrant further assessment.

Evidence of credit-impairment may include indications that the borrower is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as a measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the borrower or economic conditions that correlate with defaults. A loan is considered for transfer from stage 2 to stage 1 where there is significant improvement in credit risk and from stage 3 to stage 2 (declassified) where the facility is no longer in default. Factors that are considered in such backward transitioning include the following:

i) Declassification of the exposure by all the licensed private credit bureaux or the credit risk management system;

ii) Improvement of relevant credit risk drivers for an individual obligor (or pool of obligors);

iii) Evidence of full repayment of principal or interest.
Generally, the above are to represent an improvement in credit risk to warrant consideration for a backward transition of loans. Where there is evidence of significant reduction in credit risk, the following probationary periods should apply before a loan may be moved to a lower stage (indicating lower risk):

Transfer from Stage 2 to 1:- 90 days
Transfer from Stage 3 to 2:- 90 days
Transfer from Stage 3 to Stage 1:- 180 days

When a financial asset has been identified as credit-impaired, expected credit losses are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate.

For impaired financial assets with drawn and undrawn components, expected credit losses also reflect any credit losses related to the portion of the loan commitment that is expected to be drawn down over the remaining life of the instrument.

When a financial asset is credit-impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related ACL.

(xii) Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains."

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(xiii) Presentation of allowance for Expected Credit Loss in the Statement of Financial Position

Loss allowances for ECL are presented in the statement of financial position as follows:
• for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

• for debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;

• for loan commitments and financial guarantee contracts: as a provision; and

• where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component.

Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs. Repurchase of the Bank's own equity instruments is recognised and deducted directly in equity. No gain/loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments

(xiv) Financial Liabilities and Equity

The Bank recognizes financial liabilities when it first becomes a party to the contractual rights and obligations in the relevant contracts.

Under IFRS 9, financial liabilities are either classified as financial liabilities at amortised cost or financial liabilities at FVTPL.

The Bank classifies its financial liabilities as measured at amortised cost, except for:
i. Financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses from financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the Bank's own credit risk, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the Bank's credit risk are also presented in profit or loss;
ii. Financial guarantee contracts and commitments.

Other financial liabilities (not measured at FVTPL), including deposits and borrowings, are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

(xv) Reclassification of financial assets

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

(xvi) Modification and derecognition of financial assets and liabilities

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.
In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cashflows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms.

The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

• Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;

• A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition.

The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification.
The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms. When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

• the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
• the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Bank's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Bank's ability to collect the modified cash flows taking into account the Bank's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset. The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

(xvii) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Bank's revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions on the consolidated statement of financial position and the re-measurement is presented in other revenue.
The Bank has not designated any financial guarantee contracts as at FVTPL.

(xviii) Commitments to provide a loan at below market interest rate

Commitments to provide a loan at a below-market interest rate are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Commitments to provide a loan below market rate not designated at FVTPL are presented as provisions in the

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

statement of financial position and the re-measurement is presented in other revenue.

The Bank has not designated any commitments to provide a loan below market rate designated at FVTPLThe 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. ARB Apex Bank intends to adopt these standards, if applicable, when they become effective.

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.

Application of new and revised International Financial Reporting Standards (IFRS) that are not yet effective.

The Bank applied IFRS 15 and IFRS 9 for the first time in 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

The following amendments to standards and interpretations are effective from 1 January 2018 but do not have any impact on the Bank's financial position, performance and/or disclosures:

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
- Amendments to IAS 40 Transfers of Investment Property
- Amendments to IFRS 2 Classification and Measurement of Share Based Payment Transactions
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to 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 Bank has adopted the following new standards with initial date of application of 1 January, 2018.

IFRS 15: Revenue from contracts with customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers.

However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases). Revenue under IFRS 15 is recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services.

The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers.

Adoption of this standard does not have any significant impact on the Bank.

IFRS 9: Financial instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets.
IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include;

a)impairment requirements for financial assets and
b)limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest

on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

• With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.

• In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting.

• In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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 Bank does not currently have any share-based payment arrangement or commitment which has effect 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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.

The Bank intends to comply with the standard when it comes into force.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, 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 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 Bank.

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 Bank does not currently have any investment property on its book to warrant the amendment. However, the Bank will apply amendments when it becomes necessary.

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 Bank.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 Bank.

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.

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. The Bank's current practice is in line with the interpretation, and so there is no 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

3. Interest Income

	2018 GH¢	2017 GH¢
Cash and cash equivalents	**30,073,594**	31,243,205
Loans and advances to rural banks	**8,114,810**	3,736,160
Investments securities - Held to Maturity	**13,729,752**	14,352,983
Loan and advances to staff	**582,028**	574,212
Mobile Money Interest	**1,707**	65,560
	52,501,891	49,972,120

4. Interest Expense

	2018 GH¢	2017 GH¢
Clearing balances	**804,428**	686,462
Fixed and time Apex certificate of Deposit	**3,697,798**	3,962,162
Borrowings-Inter-Bank	**265,798**	69,126
Borrowing-Other Financial Institutions	**3,221,830**	-
Short term deposits(Rural community banks)	**955,998**	744,664
Staff balances	**95,139**	72,560
Mobile Money Balances	**1,248,313**	5,594,448
	10,289,304	11,129,422

5. Net Fees and Commissions Income

	2018 GH¢	2017 GH¢
Apex link and money transfers	**563,545**	257,606
Foreign Transfers	**1,212,945**	1 ,520,296
Managed Funds	**350,525**	215,653
Specie Fees	**92,247**	84,835
Commission on clearing	**1,150,502**	881,062
Training Fees	**784,859**	330,570
Commission on MICR Cheque	**912,508**	925,306
Other commissions	**316,693**	257,875
SMS Commission	**272,911**	231,210
Net fees and commission income	**5,656,735**	4,704,413

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

6. Net Trading Income

Gains from foreign currency dealings	4,761,915	2,840,075

6b. Other Operating Income

	2018 GH¢	2017 GH¢
Exchange gain	**305,453**	271,393
Capital Grant Amortisation	**101,745**	107,742
Coupon Income-Preference shares	**814,269**	599,669
Notional Interest	**892,876**	871,890
Profit / (loss) on disposal	**(51,805)**	23,021
Other income	**808,388**	670,397
	2,870,925	2,544,111

7. Net Impairment Loss on Financial Assets

	2018 GH¢	2017 GH¢
Stage 3 impairment	**484,703**	945,501
Stage 1 impairment	**240,128**	(768,588)
	724,831	176,913

8. Personnel Expenses

	2018 GH¢	2017 GH¢
Wages and salaries	19,567,765	16,981,990
Social security cost	3,568,207	3,027,267
Staff Accommodation	1,389,702	1,200,715
Medical expenses	1,115,543	884,388
Staff Travel and relocation	3,035,167	3,025,222
Other staff allowances	1,286,071	1,412,993
	31,077,998	26,532,575

Other staff allowances include staff utilities costs, donation to bereaved staff, other staff awards and cost of staff loans fair valuation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

9. OTHER EXPENSES

	2018	2017
	GH¢	GH¢
Professional fees	**648,079**	660,301
Bailout write-off - RCBs	**319,068**	237,601
Directors' fees & allowance	**839,712**	671,062
Utilities and cleaning	**2,203,568**	2,332,436
Audit fees	**110,000**	100,000
Staff training	**427,673**	292,051
Rental	**48,244**	45,871
Training of rural banks	**367,966**	290,977
Repairs and maintenance	**691,068**	522,632
Meeting and conferencing	**537,052**	587,784
Travels (Local and foreign)	**2,165,332**	1,793,403
Advertising and marketing	**773,572**	835,029
Specie	**199,976**	225,815
Communication	**715,375**	401,785
Insurance	**361,731**	443,607
Printing/ Stationery	**293,260**	289,742
Office running costs	**327,666**	210,547
Fuel and Lubricants	**356,253**	277,969
Vehicle Maintenance Costs	**260,107**	269,898
Subscription /License and Dues	**1,093,787**	861,754
Donations	**96,128**	43,300
New Products Expenses	**138,367**	303,634
Clothing & Image Enhancement	**2,220,844**	1,815,651
Outsourced Service	**951,258**	688,313
Bank Charges	**39,640**	48,202
GIS/ Swift Charges	**43,133**	43,185
Postage	**153,293**	120,273
Communication Cost - RCBs	**809,175**	1,376,831
Overs and shorts in till	**812**	10,767
	17,192,139	15,800,421

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

9a. Operating lease expenses

	2018	2017
	GH¢	GH¢
Rental cost of Branch premises	542,114	524,921

10. Income Tax Expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 were:

(a) Tax credit/(charged) to profit or loss	2018	2017
	GH¢	GH¢
Current income tax	-	-
National fiscal stabilization levy	45,712	100,485
Deferred tax relating to the origination and reversal of temporary differences	673,869	(2,550,445)
At 31 December	719,581	(2,449,960)

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

	2018	2017
Accounting Profit before taxation	914,239	2,009,690
Tax at the applicable rate of 25%	228,560	502,423
Tax on non-deductible expenses	322,538	79,245
Income not subject to tax	(210,268)	(5,755)
National Fiscal Stabilisation Levy	45,712	100,485
Prior year adjustment	(16,807)	(411,170)
Provision no longer required	2,320,371	-
Tax loss brought forward	(1,970,525)	(2,715,188)
	719,581	(2,449,960)

The effective income tax rate for year 2018 is 79% (2017: -122%)

(c) Deferred tax asset/(liabilities)	2018	2017
	GH¢	GH¢
Opening balance	2,550,445	-
Charge to P&L & OCI	(762,986)	2,550,445
Closing balance	1,787,459	2,550,445

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

(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
2018 - NFSL	49,515	100,485	(45,712)	104,288
	485,887	**100,485**	**(45,712)**	**540,660**

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

	2018 GH¢	2017 GH¢
Net (loss)/profit attributable to ordinary equity holders of the parent	**462,010**	4,354,930
Weighted average number of ordinary shares for basic earnings per share	**10,327,621**	10,283,556

Earnings per share	**2018 GH¢**	**2017 GH¢**
Basic earnings per share	**0.04**	0.42

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	**2018 GH¢**	2017 GH¢
Cash and balances with banks	**30,480,474**	23,442,321
Mobile Money E-cash	**4,235,853**	2,056,934
Unrestricted balances with the central bank	**28,792,553**	17,726,289
Money market placements	**160,446,028**	138,000,000
Impairment –term placement	**(430,122)**	-
	223,524,786	181,225,544

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 2018. The interest rate on placement due from other bank ranged from 13.49%-19.67% in 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. Investments (Other Than Securities)

	2018	2017
	GH¢	GH¢
Balance as at 1 January	**3,669,199**	3,069,530
Notional interest income	**814,269**	599,669
	4,483,468	3,669,199

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

	2018	**2017**
	GH¢	**GH¢**
On-lending	**5,530,038**	5,438,246
Capital projects	**8,108,794**	9,548,938
Short term Loan	**9,994,454**	8,981,677
Long term Loan	**4,988,827**	406,706
Rural Banks automobile loan	**2,863,104**	2,637,265
Staff loan	**8,245,130**	7,048,070
Total gross loans	**39,730,347**	34,060,902
Impact on adoption of IFRS 9	**247,034**	-
Less: Allowance for impairment losses	**(2,112,574)**	(4,138,235)
Suspended Interest	**(15,377)**	(15,376)
	37,849,430	29,907,290
Non-performing loan%	**5%**	13%

Impairment on losses on loans and advances	**2018**	**2017**
	GH¢	**GH¢**
Stage 3 impairment	**3,909,224**	3,424,521
Stage 1 impairment	**523,721**	713,714
Provision no longer required	**(2,320,371)**	-
Balance as at 31 December	**2,112,574**	4,138,235

Reconciliation of impairment losses	**2018**	**2017**
	GH¢	**GH¢**
Balance as at 1 January	**3,909,224**	3,424,521
Charge for the year	**523,721**	713,714
Provision no longer required	**(2,320,371)**	-
Balance as at 31 December	**2,112,574**	4,138,235

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

15. Investment Securities – Amortised Cost

	2018 GH¢	2017 GH¢
Government debt securities	**51,337,778**	43,644,354
Treasury bills held to maturity	**27,313,157**	19,147,042
	78,650,935	62,791,396

91-day Treasury bill rate 13.49%
182-day Treasury bill 13.95%
1-year Notes 15.00%
2-year Notes 17.42%
5-year Notes 16.50%

16. Other Assets

	2018 GH¢	2017 GH¢
Commission/ interest receivable	**6,113,553**	6,847,823
Prepayments	**16,012,008**	11,213,916
Deferred cost of intervention	**7,471,482**	7,790,550
Sundry receivables	**1,849,027**	2,641,437
	31,446,070	28,493,726

17(a) Property, Plant and Equipment - 2018

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 1/1/2018	1,370,298	5,536,394	1,371,198	3,361,568	876,734	5,075,499	8,919,638	4,129,478	30,640,807
Additions	-	-	119,781	762,609	85,552	1,066,721	1,043,446	655,064	3,733,173
Transfers	-	-	188,843	-	-	-	318,822	(4,243,292)	(3,735,627)
Disposal	-	-	-	(97,701)	(29,490)	(644,930)	(6,349)	-	(778,470)
Balance as at 31/12/2018	1,370,298	5,536,394	1,679,822	4,026,476	932,796	5,497,290	10,275,557	541,250	29,859,883
Accumulated Depreciation									
As at 1/1/2018	-	859,150	1,045,926	2,353,319	567,602	3,306,572	8,491,509	-	16,624,078
Charge for the year	-	110,773	126,760	509,577	87,390	951,949	779,785	-	2,566,234
Disposal	-	-	-	(85,522)	(17,139)	(450,809)	(2,116)	-	(555,586)
Balance as at 31/12/18	-	969,923	1,172,686	2,777,374	637,853	3,807,712	9,269,178	-	18,634,724
Carrying amount as at 31/12/18	1,370,298	4,566,471	507,136	1,249,102	294,943	1,689,578	1,006,379	541,250	11,225,157

17(b) Property, Plant and Equipment - 2017

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 1/1/2017	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 31/12/2017	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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

17 (c) Intangible Assets – Computer Software

	2018	2017
Cost	GH¢	GH¢
As at 1/1/2018	**8,456,812**	6,359,198
Additions - acquisition	**908,314**	717,384
Transfer	**3,236,864**	1,380,230
Balance as at 31/12/18	**12,601,990**	8,456,812
Accumulated Amortisation		
As at 1/1/2018	**5,160,249**	3,488,752
Charge for the year	**2,484,609**	1,671,497
Balance as at 31/12/18	**7,644,858**	5,160,249
Carrying amount as at 31/12/18	**4,957,132**	3,296,563

Total depreciation & amortisation for both PPE and intangible assets for the year amounted to GH¢5,050,842.

18 (a) Deposits from Customers

	2018	2017
	GH¢	GH¢
Due to rural and community banks	**309,982,254**	249,930,404
	309,982,254	249,930,404

(b) Other Deposits

	2018	2017
	GH¢	GH¢
Staff balances	**1,781,525**	1,871,457
Other current accounts	**29,387,182**	26,116,533
	31,168,707	27,987,990

No cash collateral was held as deposit as at the year-end (2017:nil)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

19. Government Grant

	2018	2017
	GH¢	GH¢
At 1 January	**2,481,045**	2,588,787
Released to profit and loss	**(101,745)**	(107,742)
At 31 December	**2,379,300**	2,481,045

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

	2018	2017
	GH¢	GH¢
Accounts payable and sundry creditors	**12,717,331**	10,673,178
Regulatory charges	**1,930,000**	1,033,000
Accrued expenses	**4,606,889**	4,994,104
Interest payable	**527,708**	122,034
	19,781,928	**16,822,316**

These other liabilities are not interest bearing.

21. Post-Employment Benefit Plan

21(a) 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.

	2018	2017
	GH¢	GH¢
Defined benefit obligation at 1 January	**1,586,941**	1,222,960
Current service cost	**133,619**	75,710
Interest cost	**285,338**	239,381
Benefit paid/ Cost Incurred	**(137,079)**	(90,736)
Actuarial (gain)/loss in financial assumptions	**-**	9,290
Experience actuarial (gain)/loss	**(356,469)**	130,337
Total liability as at 31 December	**1,512,350**	1,586,941
Less plan assets for the year	**(2,166,099)**	(1,674,452
Excess defined plan assets	**(653,749)**	(87,511)

The Excess defined plan assets do not represent 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	2018	2017
	GH¢	GH¢
Actuarial gains/(loss)	**356,469**	(137,627)
Effect of deferred taxes on actuarial gains and losses	**(89,117)**	34,907
Net amount recognized in OCI	**267,352**	(104,720)

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:

	2018	2017
	GH¢	GH¢
Discount rate	**21.5**	18.0
Salary percentile increase	**15.0**	0
Inflation on medical cost	**13.5**	16.0

The post-retirement medical benefit is assumed to be an average of GH¢5,690 inflated at 13.5% 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, 2018 has been shown in the table below:

	Base Case	**Interest Rate -1%**	**Interest Rate +1%**	**Medical Inflation -1%**	**Medical Inflation +1%**	**Mortality +10%**
Accrued Liability	**1,5212,350**	1,634,699	1,405,312	1,392,967	1,647,484	1,525,159
Post-Retirement Medical Benefit Scheme Percentage Change		8.1%	-7.1%	-7.9%	8.9%	0.8%

The table indicates that the accrued liabilities are most sensitive to the inflation on medical cost 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 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 2018:

	2018 GH¢	2017 GH¢
Short term employee benefits	2,463,197	2,449,078

Total loan balances of key management staff stood at GH¢1,169,561 (2017: GH¢702,088).

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.

	2018 GH¢	2017 GH¢
Loans and advances (net)	**37,849,430**	29,907,290
Deposit from customers	**309,982,254**	249,930,404
Other deposits	**31,168,707**	27,987,990

23. Dividends Paid and Proposed

No dividend has been proposed in 2018. No dividend was paid in 2017.

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

	2018 GH¢	2017 GH¢
At 1 January	**9,140,190**	9,093,490
Shares issued during the year	**54,200**	46,700
At 31 December	**9,194,390**	9,140,190

No. of Shares	2018 Number	2017 Number
At 1 January	**10,283,556**	10,245,589
Shares issued during the year	**44,065**	37,967
At 31 December	**10,327,621**	10,283,556

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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.

	2018	2017
	GH¢	GH¢
At 1 January	**11,866,205**	11,308,749
Transfer in 2017 (12.5% of profit)	**24,332**	557,456
At 31 December	**11,890,537**	11,866,205

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 Reserve

This reserve is made up of actuarial gain or loss resulting from the actuarial valuation of the Bank's Post employment medical benefits.

	2018	2017
	GH¢	GH¢
At 1 January	**(206,778)**	(102,058)
Net amount recognised in OCI	**267,352**	(104,720)
At 31 December	**60,574**	(206,778)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

28. Maturity Analysis of Assets and Liabilities - 2018

	GH¢	GH¢	GH¢
Assets	**Within 12 months**	**After 12 months**	**Total**
Cash and cash equivalents	223,524,786	-	223,524,786
Investment securities-HTM	55,396,485	23,254,450	78,650,935
Loans and advances to customers	15,360,873	22,488,557	37,849,430
Other investments (Other than securities)	-	4,483,468	4,483,468
Corporate tax asset	-	540,660	540,660
Deferred tax assets	-	1,787,459	1,787,459
Intangible assets	360,105	4,597,027	4,957,132
Other assets	18,559,927	12,886,143	31,446,070
Property, plant and equipment	-	11,225,157	11,225,157
Total Assets	**313,202,176**	**81,015,887**	**394,218,063**
Liabilities & Shareholders' Funds			
Deposits from banks	110,113,868	199,868,386	309,982,254
Deposits from customers	31,168,707	-	31,168,707
Government grant	-	2,379,300	2,379,300
Borrowings	-	1,209,551	1,209,551
Other liabilities	8,059,926	11,722,002	19,781,928
Total Liabilities	**149,337,008**	**215,184,732**	**364,521,740**

28b. 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		485,887	485,887
Deferred tax assets	-	2,550,445	2,550,445
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	-	14,016,726	14,016,726
Total Assets	**246,518,047**	**79,918,729**	**326,436,776**
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**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018. (2017: nil)

Contingent liabilities

There was no contingent liability as of 31 December 2018. (2017: nil)

31. Capital Commitments

The capital commitments as of 31 December 2018 was GH¢2,750,000.00 (2017, 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:

Effective risk management is of critical importance and key to the delivery of sustainable returns for shareholders. Risk taking is an integral part of the Bank's business activities and is defined as the probability of loss to earnings and/or capital arising from business activities of the Bank caused by internal and external factors. The Bank manages risk through a framework of risk principles, risk strategies as well as risk protocols including risk guidelines, rules and procedures, risk management methodologies, tools and techniques.

33. Risk Management Framework:

The Bank maintains a Risk Management Framework, which comprises of comprehensive set of principles, standards, procedures and processes designed to identify, measure, monitor and mitigate all significant risks across the Bank.

Through the framework, risk is managed at enterprise-wide level, with the aim of maximizing risk-adjusted returns within the context of the Bank's risk appetite and risk tolerance levels. 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

and effectiveness of the Bank's internal control procedures.

- The Risk, Inspection and Compliance (RIC) Committee is the management committee on operational risk. The committee reviews reports on risks from various Departments and Units when necessary and takes 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 and Credit 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

- 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.
The Bank maintains adequate liquidity at all times 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 & Administration 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, 2018 and 2017 are shown below:

MATURITY ANALYSIS OF ASSETS AND LIABILITIES IN CEDIS AS AT - 31 DEC 2018					
Assets	Total	Less than 3 months	> 3 months< than 1 year	>1 year < 3 years	3 years and over
Cash and cash equivalents	223,524,786	127,527,526	95,997,260	-	-
Investments (other than securities)	4,483,468	-	-	-	4483468
Loans and advances to customers	37,849,430	2,802,230	12,573,112	12,840,351	9,633,737
Investment Securities-Held to maturity	78,650,935	31,568,462	34,389,523	10,692,950	2,000,000
Other assets	31,446,070	8,366,511	19,362,214	34,100	3,683,245
Total Assets	**375,707,655**	**170,264,729**	**162,322,109**	**23,320,367**	**19,800,450**
LIABILITIES & SHAREHOLDERS' FUNDS					
Deposits from banks	309,982,254	122,616,518	6,250,000	18,698,514	162,417,222
Deposits from customers	31,168,707	31,168,707	-	-	-
Other Liabilities	19,781,928	9,668,880	1,827,900	6,246,862	2,038,286
Total Liabilities	**360,932,889**	**163,448,612**	**8,077,900**	**24,950,869**	**164,455,508**
Net liquidity gap	**14,774,764**	**6,816,117**	**154,244,209**	**2,239,330**	**-144,655,060**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

MATURITY ANALYSIS OF ASSETS AND LIABILITIES IN CEDIS AS AT - 31 DEC 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	-	-
Investments (other than securities)	3,669,199	-	-	-	3,669,199
Loans and advances to customers	29,907,290	1,288,909	1,850,595	20,402,529	6,365,257
Investment Securities-Held to maturity	62,791,396	19,802,031	27,695,564	8,293,801	7,000,000
Other assets	28,493,726	1,952,189	11,460,785	7,052,601	8,028,150
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**

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 unfavourable 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:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018		2017	
	Increase	Decrease	Increase	Decrease
	200bp	200bp	200bp	200bp
Interest Income	3,351,395	(3,351,395)	2, 801,825	(2,801,825)
Interest expense	(3,222,466)	3,222,466	(2,508,334)	2,508,334
Net Impact	**128,929**	**(128,929)**	**293,491**	**(293,491)**

Foreign Exchange Risk

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	2018	2017
US Dollar	4.8200	4.4156
GB Pound	6.1711	5.9668
EURO	5.5131	5.2963

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at December 31, 2018 and December 31, 2017 respectively.

December 31, 2018	Dollar	Pounds	Euro	Total
Financial Assets	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Cash	233,193	-	-	233,193
Bank Balances	2,472,206	423,190	327,487	3,222,883
Total	2,705,399	423,190	327,487	3,456,076
Financial Liabilities				
Unallocated Funds	-	2,452	-	2,452
Sundry Payments	1,644,716	-	-	1,644,716
Total	1,644,716	2,452	-	1,647,168
Net on Balance Sheet Position	**1,060,683**	**20,738**	**327,487**	**1,808,908**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

December 31, 2018	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**

Sensitivity Analysis

A 5% strengthening/weakening of the cedi against the following currencies as at December 31, 2018 and December 31, 2017 would have impacted on equity and profit or loss by the amounts shown below:

2018	Change in currency	Effect on Profit/loss	Effect on Equity
		GH¢	GH¢
US Dollar	+/-5%	255,625/(255,625)	255,625/(255,625)
GB Pound	+/-5%	129,821/(129,821)	129,821/(129,821)
Euro	+/-5%	90,273/(90,273)	90,273/(90,273)

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)	242,186/(242,186)

Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investments in debt securities and derivatives that are an asset position.

The Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Credit risk management

The Bank's credit committee is responsible for managing the Bank's credit risk by:

- Ensuring that the Bank has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Bank's stated policies and procedures, IFRS and relevant supervisory guidance.
- Identifying, assessing and measuring credit risk across the Bank, from an individual instrument to a portfolio level.
- Creating credit policies to protect the Bank against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Establishing a robust control framework regarding the authorization structure for the approval and renewal of credit facilities.
- Developing and maintaining the Bank's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Bank's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.
- Ensuring that the Bank has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

ii. Significant increase in credit risk

The Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

iii. Internal credit risk rating

In order to minimise credit risk, the Bank has tasked its credit management committee to develop and maintain the Bank's credit risk grading to categorise exposures according to their degree of risk of default. The Bank's credit risk grading framework comprises ten categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement.

The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty.

All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Bank's exposures:

- Payment record, including payment ratios and ageing analysis;

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

- Extent of utilisation of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For retail exposures: internally generated data of customer behaviour, affordability metrics etc.; and
- For corporate exposures: information obtained by periodic review of customer files including audited financial statements review, market data such as prices of credit default swaps (CDS) or quoted bonds where available, changes in the financial sector the customer operates etc.

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The Bank analyses all data collected using statistical models and estimates the remaining lifetime PD of exposures and how these are expected to change over time.

The Bank generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Bank then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.
The Bank uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

Loan commitments are assessed along with the category of loan the Bank is committed to provide, i.e. commitments to provide mortgages are assessed using similar criteria to mortgage loans, while commitments to provide a corporate loan are assessed using similar criteria to corporate loans.
Irrespective of the outcome of the above assessment, the Bank presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Bank has reasonable and supportable information that demonstrates otherwise.
The Bank has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.
The Bank performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

Incorporation of forward-looking information

The Bank uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL.

The Bank employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios.
The external information used includes economic data and forecasts published by governmental bodies and monetary authorities. The Bank applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Bank for strategic planning and budgeting.
The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Bank has not made changes in the estimation techniques or significant assumptions made during the reporting period.
Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Measurement of ECL

The key inputs used for measuring ECL are:
- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information. PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time.

The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral.
The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims.

The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The Bank's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default.

The Bank uses EAD models that reflect the characteristics of the portfolios. The Bank measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period.
For such financial instruments the Bank measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period.

However, the Bank does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are cancelled only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Credit quality

The Bank monitors credit risk per class of financial instrument. The table below outlines the classes identified, as well as the financial statement line item and the note that provides an analysis of the items included in the financial statement line for each

Class of financial instrument	Financial statement line	Note
Loans and advances to banks at amortised cost	Loans and advances at amortised cost	14
Loans and advances to customers at amortised cost	Loans and advances at amortised cost	14
Debt investment securities at amortised Cost	Investment securities	15
Debt investment securities at FVTOCI	Investment securities	N/A
Other assets	Other assets	16
Loan commitments and financial guarantee contracts	Provisions	N/A

An analysis of the Bank's credit risk concentrations per class of financial asset is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Loans and advances to RCBs at amortised cost Concentration by sector	2018	2017
Northern Savanna Sector	**4,553,043**	4,090,401
Upper Western Sector	**4,171,495**	3,078,688
Upper Eastern Sector	**460,877**	1,054,096
Middle Sector	**15,384,297**	12,643,302
Coastal Middle Sector	**2,747,652**	2,986,233
Coastal Eastern Sector	**2,902,082**	1,687,971
Coastal Western Sector	**1,265,771**	1,472,141
Total	**31,485,217**	27,012,832

Interbank placements

	2018	2017
	61,446,028	114,000,000
Total	**61,446,028**	114,000,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 GHS	2017 GHS
Debt investment securities at amortised cost		
Sovereign	**78,650,935**	62,791,396
Banking	**-**	-
Corporate:	**-**	-
Leisure and services	**-**	-
Other	**-**	-
Total	**78,650,935**	62,791,396

Concentration by region		
Europe	-	-
America	-	-
Middle East and Africa	78,650,935	62,791,396
Asia	-	-
Total	**78,650,935**	62,791,396

An analysis of the Bank's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

						Year Ended 31 Dec. 2018
	Stage 1	Stage 2	Stage 3			
Interbank placements at amortised cost	**12-month ECL GHS**	**Lifetime ECL GHS**	**Lifetime ECL GHS**	**POCI GHS**	**Total GHS**	**Total GHS**
Grades 1-3: Low to fair risk	29,832,927	-			29,832,927	29,832,927
Grades 4-6 Monitoring	-	-	-	-	-	-
Grades 7-8: Substandard	-	-	1,652,290	-	1,652,290	1,652,290
Grade 9: Doubtful	-	-	-	-	-	-
Grade 10: Impaired	-	-	-	-	-	-
Total gross carrying amount	29,832,927	-	1,652,290	-	31,485,217	31,485,217
Loss allowance	**523,721**	**-**	**1,588,853**	**-**	**2,112,574**	**2,112,574**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Stage 1	Stage 2	Stage 3			Year Ended 31 Dec. 2018
Interbank placements at amortised cost	**12-month ECL GHS**	**Lifetime ECL GHS**	**Lifetime ECL GHS**	**POCI GHS**	**Total GHS**	**Total GHS**
Grades 1-3: Low to fair risk	61,446,028	-	-	-	61,446,028	61,446,028
Grades 4-6 Monitoring	-	-	-	-	-	-
Grades 7-8: Substandard	-	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-	-
Grade 10: Impaired	-	-	-	-	-	-
Total gross carrying amount	61,446,028	-	-	-	61,446,028	61,446,028
Loss allowance	**430,122**	**-**	**-**	**-**	**430,122**	**430,122**

Debt investment securities at Amortised cost	12-month ECL GHS	Lifetime ECL GHS	Lifetime ECL GHS	POCI GHS	Total GHS	Total GHS
Grades 1-3: Low to fair risk	78,650,935	-	-	-	-	78,650,935
Grades 4-6 Monitoring	-	-	-	-	-	-
Grades 7-8: Substandard	-	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-	-
Grade 10: Impaired	-	-	-	-	-	-
Total carrying amount	78,650,935	-	-	-	-	78,650,935
Loss allowance	**-**	**-**	**-**	**-**	**-**	**-**

This table summarises the loss allowance as of the year end by class of exposure/asset.

	Year ended 31 December 2018 GHS	Year ended 31 December 2017 GHS
Loans and advances at amortised cost	**2,112,574**	4,138,235
Interbank placements at amortised cost	**430,122**	1,792,703
	2,542,696	5,930,938

The tables below analyse the movement of the loss allowance during the year per class of assets.

Loss allowance – Loans and advances at amortised cost

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Debt investment securities at amortised cost	**Total (GHS)**
Loss allowance as at 31 December,2017	**4,138,235**
Restatement of the prior year	247,034
Loss allowance as at 1 January 2018	**3,891,201**
Changes in the loss allowance	
Transition adjustment	**-**
--Transfer to stage 1	**-**
--Transfer to stage 2	**-**
--Transfer to stage 3	**-**
--Increases due to change in credit risk	**731,737**
Decreases due to change in credit risk	**(189,993)**
Write-offs	**(2,320,371)**
Changes due to modifications that did not result in derecognition	**-**
New financial assets originated or purchased	**-**
Financial assets that have been derecognised	**-**
Changes in models/risk parameters	**-**
Foreign exchange and other movements	**-**
Loss allowance as at 31 December, 2018	**2,112,574**

Interbank placements at amortised cost

	Total (GHS)
Loss allowance as at 31 December, 2017	**-**
Restatement of the prior year	-
Loss allowance as at 1 January 2018	**1,792,703**
Changes in the loss allowance	
Transition adjustment	-
--Transfer to stage 1	-
--Transfer to stage 2	-
--Transfer to stage 3	-
--Increases due to change in credit risk	(1,362,581)
Decreases due to change in credit risk	-
Write-offs	-
Changes due to modifications that did not result in de-recognition	-
New financial assets originated or purchased	-
Financial assets that have been derecognised	-
Changes in models/risk parameters	-
Foreign exchange and other movements	-
Loss allowance as at 31 December, 2018	**430,122**

The Bank did not recognise any other class of Purchased or Originally Credit Impaired (POCI) financial assets during the period. More information about the significant changes in the gross carrying amount of financial assets during the period that contributed to changes in the loss allowance, is provided at the table below:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Total (GHS)
Loans and advances at amortised Cost	
Loss allowance as at 31 December 2017	**4,138,235**
Restatement of the prior year	247,034
Loss allowance as at 1 January 2018	**3,891,201**
Transition adjustment	
Changes in the gross carrying amount	
--Transfer to stage 1	-
--Transfer to stage 2	-
--Transfer to stage 3	-
Increases due to changes in credit risk	731,737
Decreases due to change in credit risk	(189,993)
--Changes due to modifications that did not result in derecognition	-
New financial assets originated or purchased	-
Financial assets that have been derecognised	-
Write off	-
Other changes	(2,320,371)
Loss allowance as at 31 December 2018	**(2,112,574)**
Gross carrying amount as at 31 December 2018	**31,485,217**
Net carrying amount as at 31 December 2018	**29,372,643**

	Total (GHS)
Interbank placement at amortised Cost	
Loss allowance as at 31 December 2018	**-**
Restatement of the prior year	**-**
Loss allowance as at 1 January 2018	**1,792,703**
Changes in the gross carrying amount	
--Transfer to stage 1	-
--Transfer to stage 2	-
--Transfer to stage 3	-
--Increases due to change in credit risk	(1,362,581)
--Changes due to modifications that did not result in derecognition	-
New financial assets originated or purchased	-
Financial assets that have been derecognised	-
Write off	-
Other changes	-
Gross carrying amount as at 31 December 2018	61,446,028
Loss allowance as at 31 December 2018	**(430,122)**
Net carrying amount as at 31 December 2018	**61,015,906**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Stage 1	Stage 2	Stage 3		Total
	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	
Debt investment securities at amortised cost	GHS	GHS	GHS	GHS	GHS
Loss allowance as at 31 December 2018	**-**	**-**	**-**	**-**	**-**
Restatement of the prior year	-	-	-	-	-
Loss allowance as at 1 January 2018	**-**	**-**	**-**	**-**	**-**
Changes in the gross carrying amount					
––Transfer to stage 1	-	-	-	-	-
––Transfer to stage 2	-	-	-	-	-
––Transfer to stage 3	-	-	-	-	-
––Changes due to modifications that did not result in derecognition	-	-	-	-	-
New financial assets originated or purchased	-	-	-	-	-
Financial assets that have been derecognised	-	-	-	-	-
Write off	-	-	-	-	-
Other changes	-	-	-	-	-
Gross carrying amount as at 31 December 2018	78,650,935	-	-	-	78,650,935
Loss allowance as at 31 December 2018	-	-	-	-	-
Net carrying amount as at 31 December 2018	78,650,935	-	-	-	78,650,935

All loans and advances are categorized as follows in the comparative period:

Neither past due nor impaired
These are loans and securities where contractual interest or principal payments are not past due.

Past due but not impaired
Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Bank.

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These are loans and securities specifically impaired.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

The table below represents the maximum credit risk exposure to the Bank as at December 31, 2018:

	2017
	GH¢
Past due and impaired	**3,424,521**
Past due but not impaired	**-**
Neither past due nor impaired	**23,588,311**
Fair value of collateral	**(81,460)**
	26,931,372
Less impairment:	
Specific	
Collective	945,501
Net amounts	(768,588)

Personal lending

The Bank's lending portfolio consists of secured and unsecured loans.

Corporate lending

The Bank requests collateral and guarantees for lending to rural banks. The most relevant indicator of customers' creditworthiness is an analysis of their financial performance and their liquidity, leverage, management effectiveness and growth ratios. The valuation of such collateral is updated if the loan is put on "watch-list" and is therefore monitored more closely.
For credit-impaired loans the Bank obtains appraisals of collateral to inform its credit risk management actions.

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 environment 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 Credit Unit.
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 intended purpose and not diverted.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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.

Reputational 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 the Management have assigned the responsibility of safeguarding the Bank's

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

reputation to the Corporate Communication and Marketing 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 conduct 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 comparable funding source concentration as at December 31, 2018 and December 31, 2017 were as follows:

	2018	2017
Deposits from Customers	**GH¢**	**GH¢**
Reserved Placement-5% of RCBs' total deposit	**162,538,832**	133,062,510
RCBs' Clearing Account	**62,225,079**	74,033,018
ACOD	**74,867,211**	37,729,400
Short-Term Borrowing	**10,356,625**	5,105,476
Total	**309,987,747**	249,930,404
Total Liabilities	**364,521,740**	297,221,755
Concentration Ratio	**85%**	84%

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 2018 and 31 December 2017, 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 2018 and 31 December 2017 the bank had investments in RCB's 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 2018 and 31 December 2017 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 2018, (2017: nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 and 2017. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject to.

	2018	**2017**
	GH¢	**GH¢**
Paid-up Capital	**9,194,390**	9,140,190
Disclosed Reserves	**20,943,625**	19,904,221
Investments in RCBs	**(4,483,468)**	(3,669,199)
Net Tier 1 Capital	**25,654,547**	25,375,212
Adjusted Asset base	**174,042,504**	152,462,852
Adjusted Capital as a percentage of Adjusted Asset Base	**14.74%**	16.6%

Investment in RCBs has been included in the CAR computation. This is likely to continue into the future and as a result the prior year (2017) calculation has reflected this.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

36. Value Added Statement for the Year Ended 31 December 2018

Item	2018 GH¢	2017 GH¢
Interest earned & other operating income	**62,920,541**	57,516,608
Direct Cost of Services	**(10,289,304)**	(11,129,422)
Value added by banking services	**52,631,237**	46,387,186
Non-Banking Income	**2,870,925**	2,544,111
Impairments	**(724,831)**	(176,913)
Value Added	**54,777,331**	48,754,384
Distributed as follows:-To Employees:		
Directors (Without Executives)	**(839,712)**	(671,062)
Other Employees	**(30,796,120)**	(26,168,594)
Post-retirement benefits	**(281,878)**	(363,982)
To Government:		
Income tax credit/(expense)	**(719,581)**	2,449,960
To Providers of Capital:		
Dividend to shareholders	**-**	-
To Expansion & Growth:		
Operating Lease	**(542,114)**	(524,921)
Depreciation & Amortisation	**(5,050,842)**	(3,886,776)
Suppliers of goods & services	**(16,352,427)**	(15,129,359)
Retained Earnings	**194,658**	4,459,650

37. Long term borrowing

Long term borrowing represents KfW loan facility of GH¢1.4 million contracted from Ghana Interbank Payments and Settlement System (GhIPSS) for four years tenor at a rate of 6% per annum, for the acquisition of E-zwich cards on behalf of the RCBs.

10.
PROXY FORMS

ANNUAL GENERAL MEETING of the ARB Apex Bank Limited to be held on **Saturday, April 27, 2019** at the Volta Serene Hotel, Ho at 10:00am prompt.

We.....Directors..... being members of .... Limited 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 27, 2019.

Dated this ....day of 2019

....
Signature (Authorized Signatory)

Name:..

Designation ....

Company Seal/ Stamp

....
Signature (Authorized Signatory)

Name:..

Designation..

Company Seal/ Stamp

RESOLUTIONS FROM THE BOARD	FOR	AGAINST
1. To receive the Chairman's statement and the Managing Director's report for the year ended 31st December 2018.		
2. To consider and adopt the Financial Statements of the Company for the year ended 31st December, 2018 together with the reports of the Directors and Auditors thereon.		
3. To authorize the Directors to fix the remuneration of Auditors.		
4. 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

Designed & Printed by Zebra Press - **0244775753**