ARB APEX BANK

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2020
Annual Report

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01.

NOTICE OF VIRTUAL ANNUAL GENERAL MEETING OF THE ARB APEX BANK LIMITED

NOTICE IS HEREBY GIVEN THAT the 19th Annual General Meeting (AGM) of the Shareholders of ARB Apex Bank Limited ("the Company") will be held VIRTUALLY from the Head Office of ARB Apex Bank Limited on 12th June, 2021 at 10:00 am to transact the following business:

AGENDA:

ORDINARY RESOLUTIONS

1. To receive and adopt the Financial Statements of the Company (together with the reports of the Directors and the External Auditors of the Company) for the year ended 31st December, 2020.
2. To approve the Directors' fees.
3. To authorize the Directors to determine the remuneration of the Auditors.

SPECIAL RESOLUTIONS

1. To increase the Bank's capitalisation by converting 2% of deposits of members to capital.
2. To request for a loan of GH¢32 million from the Bank of Ghana to purchase twelve (12) Armored Bullion Vehicles.
3. To change the name of the Company from ARB Apex Bank Limited to ARB Apex Bank Public Limited Company ("PLC") in compliance with Section 21(1)(b) of the Companies Act, 2019 (Act 992).
4. To authorise the Company to effect all the changes in the Company's Constitution to make it compliant with the new Companies Act, 2019 (Act 992).

NOTES:

- In accordance with Regulation 24(2) of the Bank's Constitution, each Rural/Community Bank (RCB) shall be represented by its Chairman/Chairperson or a member of the Board with a duly signed 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 electronically sent to apex@arbapexbank.com not later than 48 hours prior to the meeting.
- The link to join the meeting will be forwarded to members a week before the meeting date.

DATED IN ACCRA THIS 10TH DAY OF MAY, 2021.

BY ORDER OF THE BOARD OF DIRECTORS

CURTIS W. BRANTUO
COMPANY SECRETARY

02.
CORPORATE INFORMATION:

BOARD OF DIRECTORS

Dr Anthony Aubynn	- Non-Executive Chairman
Mr Larry Kwesi Jiagge	- Non-Executive Vice Chairman
Mr Kojo Mattah	- Managing Director
Ms Naa Odofoley Nortey	- Non-Executive Member
Ms Margaret-Ann Wilson	- Non-Executive Member
Mr Edwin K. Adjei	- Non-Executive Member
Mr Frank Owusu	- Non-Executive Member
Mr Cletus Azaabi	- Non-Executive Member
Mr Daniel O. K. Owusu	- Non-Executive Member
Mr Philip Abradu-Otu	- Non-Executive Member
Mr Yaw Odame-Darkwa	- Non-Executive Member
Mr Francis Beinpuo	- Non-Executive Member
Dr Phillip Yaw 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 453,
Accra, Ghana

BANKERS

Bank of Ghana, Accra
Ghana International Bank PLC, London

BOARD OF DIRECTORS

Dr Anthony Aubynn
Board Chairman

Cletus Azaabi
Member

Margaret-Ann Wilson
Member

Dr Phillip Amakye
Member

Larry Kwesi Jiagge (Esq.)
Vice Chairman

Edwin Kwabena Adjei
Member

Naa Adofoley Nortey (Esq.)
Member

Frank Owosu
Member

Yaw Odame-Darkwa
Member

Philip Abradu-Otoo
Member

Daniel Ohene Kwaku Owusu
Member

Francis Kogh Beinpuo
Member

Curtis William Brantuo
Board Secretary

Kojo Mattah
Member

PROFILE OF DIRECTORS

Dr Anthony Aubynn
Board Chairman

Dr Anthony Aubynn has over 20 years of Senior Management experience spanning the mining industry (both gold mining, oil and gas).

He has demonstrable management experience in both policy formulation and regulations as Chief Executive Officer, Ghana Minerals Commission; Chief Executive Officer of the Ghana Chamber of Mines; Human Resources and Corporate Affairs Management in his role as Director, Corporate Affairs, Tullow Ghana Limited; Head, Corporate Affairs and Social Development, Goldfields Ghana Limited; and Head of Human Resources and Local Affairs (Abosso Goldfields Limited).

Dr. Aubynn's expertise in mining policy formulation has been sought for in projects in Cameron, Tanzania, Haiti, and the Republic of Congo. He also has banking experience, having worked with the erstwhile Ghana Cooperative Bank.

Anthony was the President, Western Region Chapter of the Association of Rural Banks and Board Chairman of Amenfiman Rural Bank. He was also the Board Chairman of Investorcorp Mid-Tier Funds and a member of International Finance Corporation Advisory Group on Local Content. A member of UNITAR Experts on Artisanal Small Scale Mining for West Africa. He is currently a member of the Executive Council, Ghana Football Association. He joined the Board of the ARB Apex Bank in March 2020 as the Representative of Western and Western North Regions and was elected as the current Chairman of the Board of Directors of ARB Apex Bank. He is also the Board Chairman of Amenfiman Rural Bank.

Dr. Anthony Kwesi Aubynn graduated from the University of Ghana with a Bachelor of Arts Degree in Geography and Political Science, and obtained a Diploma in International Law from University of Helsinki. He holds a PhD in International Development from the University of Tampere, and was a PhD Fellow at the United Nations University, IAS, Tokyo, and was awarded a DBA (Honoris Causa), Oil and gas by the Commonwealth University of London. He also holds an MPhil (Development Geography) from the University of Oslo, Master of Social Science (International Relations) from the University of Oslo, and an MA (Development and Environmental Studies from the University of Tampere. He also holds other qualifications including; a Certificate in Natural Resources and Development from the Oxford University Blavatnik School of Government (UK), Harvard University's Executive Programme on Global Markets where he obtained a Certificate in Natural Resources and Development. Dr. Aubynn is currently reading Law at the Ghana Institute of Management and Public Administration (GIMPA).

Larry Kwesi Jiagge (Esq.)
Vice Chairman

Larry Kwesi Jiagge was appointed as a Board Member of the ARB Apex Bank Limited on 1st January 2016. He is the Chairman of Anlo Rural Bank Limited and represents the Volta Regional Chapter of the Association of Rural Banks.

He became Vice-Chairman of the Board of ARB Apex Bank in March 2020.

Mr. Jiagge is the Chief Executive Officer of Risk Management & Advisory Services Limited, he provides strategic direction and management. He has over thirty-four (34) years' experience in Insurance and Risk Management.

He is a member of the Ghana Bar Association with over twenty-two (22) sound background in law.

His insurance career commenced in State Insurance Company in 1984 as a Marketing Manager for the Southern Sector. He had a well-structured career path which took him through key areas of Insurance notably Administrative, Underwriting and Claims Functions of Life & Pension, Health Insurance, Risk Management and Corporate Finance.
He is currently a member of the Board of Directors of Community Microfinance Company Limited, Donewell Life Assurance Company Limited and Bank of Baroda.

Mr. Jiagge holds Executive MBA from the Ghana Institute of Public Administration, Barrister Certificate (BL) from the Ghana School of Law, a fellow of the Chartered Insurance Institute of London (F.C.I.I.) and BA Hons (Social Sciences) from the Kwame Nkrumah University of science & Technology.

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. He is a former 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.

Margaret-Ann Wilson
Member

Margaret-Ann Wilson is currently the Principal Economic Officer at the Office of the Chief Director at the Ministry of Finance.

She started her career as a National Service Person, World Bank Unit at the Ministry of Finance in 2003. She was later appointed Assistant Economic Officer at the same Unit, where she monitored project disbursements and provided guidance to the Project Management Unit.

Her success story did not end there as she was soon elevated to the position of an Economic Officer and further to Senior Economic Officer at the same Ministry.

Madam Wilson was a member of the Core National Planning Committee for the Third High Level Forum on Aid Effectiveness.

She was also a member of a Steering and Technical Committee of the Economic and Private Sector Development Projects. She also undertook preparatory work on Fiscal Regimes and Fund Types for the drafting of the Oil and Gas Law. She joined the Board of ARB Apex Bank in March 2020 as the Representative of the Ministry of Finance.

She holds a Master of Arts degree in Economic Policy Management, and a Bachelor of Arts degree in Economics from the University of Ghana.

Frank Owosu
Member

Frank Owusu is a seasoned educationist with over 10 years of experience in Education. He was a Lecturer at both Koforidua Technical University, and the Institute of Distance Learning at the Kwame Nkrumah University of Science and Technology (KNUST), Kumasi.

He served as the Dean of the School of Business at the Koforidua Technical University, and is an Examiner at the Institute of Chartered Accountants, Ghana.

He has served as President of the Association of Rural Banks, Central Region Chapter. Prior to that, he served as Chairman of Sachet Water Management Committee, Development and Planning Committee, and Appointment and Promotion Committee. He joined the Board of ARB Apex Bank in March 2020 as the Representative of the Central Region Chapter of the Association of Rural Banks. Mr. Owusu holds a Master of Science degree (Accounting option) from the Ghana Institute of Management and Public Administration (GIMPA).

He is also a Chartered Accountant from the Institute of Chartered Accountants and a product of Ghana Institute of Taxation.

Edwin Kwabena Adjei
Member

Edwin Adjei has over thirty years stint with the banking industry. He started with the defunct Rural Banking Department of the Bank of Ghana and was responsible for the Establishment Office. His duties included:

Procurement of relevant logistics, cocoa process schedules, administrative duties, among others for the Rural and Community Banks (RCBs).

He also worked at Human Resources Department and his role included: Head Pensions Unit-Co-ordinated and supervised the pensioners of the Bank; compiled, arranged and implemented training programmes.

Based on hard work he was moved to the Banking Supervision Department (BSD) as the substantive Administrative Officer with the roles of human resource and other administrative duties. He was later assigned to the Examination Office in the same department. As a Bank Examiner my core assignments were off-site and on-site examination of banks and specialized deposit taking institutions.

He was transferred to a novel department created by the Bank called Other Financial Institutions Supervision Department (OFISD), where he was the Head, Forex Bureaux Examination Office until his retirement in April 2017 on the Grade of Chief Manager.

He is currently an Executive Member of the Association of Rural Banks (ARB) Eastern Region Chapter. He is a board member of Anum Rural Bank and is Chairman of the Risk, Audit and Compliance (RAC) Committee, IT Steering Committee and Adhoc Building Committee at the same bank.

Mr. Adjei is a member of the Institute of Directors (Ghana) and a Chartered Banker (CIB-GH) and holds a Bachelor of Law (LLB) degree from the Ghana Institute of Management and Public Administration (GIMPA). He also holds Executive Master of Business Administration (Finance), Bachelor of Science in Administration and a Diploma in Public Administration from the University of Ghana Business School, Legon.

He loves reading, traveling and facilitating banking and other educational programmes.

Mr. Adjei joined the Board of ARB Apex Bank in March, 2020 as the Eastern Region Representative of the Association of Rural Banks.

Yaw Odame-Darkwa
Member

Yaw Odame Darkwa was appointed as a Board Member of the ARB Apex Bank Limited on 1st January, 2016.

He is the Chairman of Wenchi Rural Bank Limited and represents the Brong Ahafo Chapter of the ARB.

He is an Administrator and Researcher. He has exceptional knowledge in administrative procedures and rules of mortgage lending.

He worked as Monitoring and Risk Management Officer at Sinapi Aba Trust. He also worked as Senior Loan Consultant of Showcase Financial Mortagage, Houston, Texas, US with seventeen (17) years of working experience in Monitoring and Risk Management and Banking.

He holds a Certificate in Loan Processing and Underwriting from Tomball College, Houston, BA (Hons) Social Science, Specialization in Law and Sociology from Kwame Nkrumah University of Science and Technology.

Naa Adofoley Nortey (Esq.)
Member

Naa Adofoley Nortey has over 15 years' working experience as a Lawyer with capacity extending from Litigation, Commercial Law, Real Property Law, Criminal Law, Family and Probate.

She also worked with Zoe, Akyea & Co., where she practiced Criminal Law for three (3) years and worked on Land Litigation and Recoveries on behalf of bank and non-bank clients. She is currently a Junior Partner at the Accra-based Beyuo and Co., a Law Firm.

Naa's many years of Legal experience fetched her a lot of contracts where she was engaged by some financial and nonfinancial institutions to recover loans from recalcitrant customers. Some of the banks she worked for include Zenith Bank, Ghana, Standard Chartered Bank, Ivory Finance, Abokobi Rural Bank etc. Her work extends beyond Ghana to other countries. Naa worked for Gapuma Limited and Emeraude Limited, both in the United Kingdom (UK) just to mention a few. Naa has also worked for the Legal Aid Board, Ghana where she organized workshops on behalf of the Board. She is the current Chairperson of Abokobi Rural Bank and joined the Board of ARB Apex Bank in March 2020 as the Representative of the Greater Accra Chapter of the Association of Rural Banks.

In 2018, Naa was appointed a member of the Normalization Committee formed by the Federation Internationale de Football Association (FIFA) and the Confederation of Africa Football (CAF) in consultation with the Government of Ghana to replace the Ghana Football Association Executive Committee. She was a member of a team made up of Lawyers from West Africa, led by the Chief Justice, to put together a viable and sustainable working document on Alternative Dispute Resolution in Ghana. The document was a huge success and is currently being used as a guidance tool by The Gambia.

She obtained her LLB from the Ghana School of Law and was called to the Ghana Bar and holds a Bachelor of Arts degree in Law and Sociology.

Daniel Ohene Kwaku Owusu
Member

Daniel Ohene Kwaku Owusu was appointed as a member of the Board of Directors of the ARB Apex Bank on May 2, 2019.

As the incumbent President of the Association of Rural Banks, he represents the National Association of Rural Banks on the Board. He was elected as the National President of the Association of Rural Bank at the 20th Biennial General Meeting held at Bolgatanga in November 2018. He is a Director of South Akim Rural Bank, in the Eastern Region.

Mr. Owusu is a qualified educationist and taught for many years at the Accra Technical University.

A seasoned banker, he worked in various capacities at the Bank of Ghana (BoG) for almost 30 years until he retired as an Assistant Director. He worked with the Banking Supervision Department of the Central Bank.

He also worked as the Head, Policy, Licensing and Legislation and Administration Office; Head, Investigation and Consumer Reporting Office; Head, Market Conduct and Licensing Authorization Office; and Head, Technical Office.

He also served as a Bank of Ghana representative on the Boards of Agona and Bawjiase Area Rural Banks at various times. DOK as he is popularly referred to, coordinated the implementation of credit referencing in banking system at the two banks.

He is currently the Advisor, Mponua Rural Bank, and Chairman, Board of Governors, St. Francis Senior High Technical School.

Mr. Owusu holds an MBA (Accounting), University of Cape Coast, Bachelor of Commerce (Hons), University of Cape Coast, Advanced Diploma in Economics of Banking, Finafrica, Milan, Italy.

Philip Abradu-Otoo
Member

Philip Abradu-Otoo is an Economist with track record in Policy Analysis and Implementation at Bank of Ghana and International Monetary Fund and has over 30 years' experience in the banking industry.

Mr. Abradu-Otoo was employed by Bank of Ghana as an Analyst and Research Officer to assist the Research Department.

He was later appointed as a Desk Economist at the Central Bank and then as Head, Special Studies Unit at the Research Department. Through hard work, he was promoted to the position of Director of Research, a position he currently holds.

He also served as an Economist and Advisor at the Office of the Executive Director, International Monetary Fund (IMF). As the Director of Research, Mr. Abradu-Otoo is currently working on understanding the transmission mechanism of Monetary and Fiscal Policies in selected West African Countries.

He is a member of the Bank of Ghana's Monetary Policy Committee and serves on various boards including, Ghana Statistical Service, National Pension Regulatory Commission, Ghana Tourism Development Corporation, and Ghana Export Promotion Authority. He joined the Board of ARB Apex Bank in March 2020 as the Representative of the Bank of Ghana.

Mr. Abradu-Otoo holds a Master of Science in Economics from University of Warwick, UK, and Bachelor's Degree in Economics and Statistics from University of Ghana. He has undertaken several courses and attended several training programmes including; Macroeconomic Analysis, Monetary Policy Analysis and Applied Economics.

Cletus Azaabi
Member

Cletus Azaabi is currently the Head, Information and Communication Technology (ICT) Unit at Bosco College of Education, Navrongo.

He is also a Tutor at the same College. He is a part-time lecturer at the University of Cape Coast, where he teaches Management Information Systems to Undergraduates at the College of Distance Learning. In addition, he was a Manager, Management Information Systems at Garu Tempane District Mutual Health Insurance Scheme.

He also serves as the Chief Executive Officer of Knowledge House Consult.

He is currently the Chapter President, Association of Rural Banks, Upper East and also serves on various boards including: Bessfa Rural Bank, and Presbyterian Health Services. He served as a board member of the Regional Lands Commission in Bolgatanga. He joined the Board of ARB Apex Bank in March 2020 as the Representative of the Upper East Chapter of the Association of Rural Banks.

Cletus is noted for his leadership role as he was elected an Assembly Member for Yabrago Electoral Area and the National President of the National Union of Kusasi Students, Ghana and Vice President of Kusasi Students Union, UCC. Prior to that, his leadership roles started when he was elected the Senior Prefect and SRC President of Bawku Senior Secondary School.

Mr. Azaabi is currently a PhD (Computer Science) candidate at the University of Energy and Natural Resource, Sunyani. He holds a Master of Science in Information Technology from the Kwame Nkrumah University of Science and Technology, Kumasi, a Bachelor's Degree in Computer Science and Education, University of Cape Coast, a Post-Graduate Diploma in Management Information Systems from the Ghana Institute of Marketing and Public Administration (GIMPA), and a Teacher's Certificate from the Pusiga Training College.

Francis Kogh Beinpuo
Member

Francis K. Beinpuo has over 40 years of banking, rural banking and microfinance practice locally and internationally. Francis had a brief banking career with the Agricultural Development Bank. He soon moved on to start the Nandom Rural Bank as the first Manager and superintended that bank for ten years.

Francis subsequently moved to the Association of Rural Banks as the Training Manager, which was then known as the Training Counterpart. For nearly 15 years, Francis was Country Director of Freedom from Hunger Ghana, where he promoted its flagship product, which is still a major credit product line for many Rural and Community Banks (RCBs) and Microfinance Institutions. After voluntarily retiring from Freedom from Hunger, he took up a contract with Initiative Development Ghana as Country Director.

However, before his contract could be confirmed, through an international head-hunting process, Francis left for Sierra Leone to take up the position of Resident Technical Advisor to the Microfinance Investment and Technical Facility (MITAF), a multi-donor project in that country.

While serving as Country Director of Freedom from Hunger, Francis chaired the discussion group of Microfinance practitioners that led to the formation of the Ghana Microfinance Institutions Network (GHAMFIN) and became the first Chairman when the Network was incorporated. He held that position until he left the country.
Francis also served on the Technical Committee of the African Microfinance Network (AFMIN). Currently, Francis is the Chairman of the Board of Directors of Nandom Rural Bank Ltd. He also represents the Catholic Diocese of Wa on the Board of the Standard Newspapers and Magazines (SNAM) Ltd.

Francis has special interest in Strategic and Business Planning, Staff Training, especially in group-based lending products and in the areas of governance, among others. He has facilitated training events nationally and in several African countries. Perhaps his passion for training is driven by the fact that he is a trained Certificate A-4-year Teacher from what is now St. John Bosco's College of Education.

Francis holds a BSc Administration degree in Accounting from the University of Ghana, a Post Graduate Diploma in Social and Community Development from Coady International Institute of the St. Francis Xavier University in Nova Scotia Canada.

He also holds a Microfinance Proficiency Certificate from the University of Colorado Microfinance Institute (previously known as the Boulders Programme) in USA and several other certificates obtained from participating in short courses abroad in Continuing Professional Development.

Dr Phillip Amakye
Member

Dr Phillip Yaw Amakye was appointed as a Board Member of ARB Apex Bank Limited on 1st January, 2016. He is the Board Chairman of Asante Akyem Rural Bank and represents the Ashanti Chapter of the Association of Rural Banks.

He is a trained and experienced professional of national and international repute in Banking, Finance, Investment and Strategic Management. He has over twenty-eight (28) years working experience in Economics, Investment, Finance and Banking.

He holds Doctor of Philosophy (Ph.D) in Finance Management and Doctor fo Business Administration (DBA) in Finance from Universidad Empresarial De Costa Rica (Unem), MSc in Finance and Investment, London South Bank University, BSc(Hons) Economics and Business Finance, Brunel University (UK).

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. He is a former 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 Kwasi Awuah is the Deputy Managing Director of the ARB Apex Bank. He is a Chartered Banker and began his banking career in 1996. His career experience in banking covers central banking, universal banking and rural banking.

Alex had a spell at the then Internal Revenue Service (now Ghana Revenue Authority) as a District Statistician in charge of Wenchi and Goaso Tax Districts before joining the Bank of Ghana the same year (1996). Whilst at the Central Bank, he worked at the Rural Finance Inspection Department (defunct) and Banking Supervision Department as a Bank Examiner until March 2005 when he left the Bank as an Assistant Manager.

He joined the Agricultural Development Bank (ADB) in April 2005 and worked in various capacities, first as an Auditor in the Internal Audit & Assurance Department, a Manager in the Research & Planning Department and the Strategic Policy Coordinating Unit. He headed the Budgets, Planning & Strategy Unit of the Finance & Planning Department and left the Bank in October 2013.

Alex moved to the ARB Apex Bank in November 2013 as the Head of the Internal Control Department, responsible for the Audit functions at departments and branches of the Bank. He was also in-charge of the inspection of the Rural and Community Banks in Ghana as a complementary service to the regulatory functions of the Bank of Ghana. He was elevated to the position of Deputy Managing Director in June 2015.

He obtained his General Certificate of Education, Ordinary and Advanced Levels from Techiman Secondary School (1988) and Adisadel College (1990) respectively. He holds a BSc in Administration (Banking & Finance Option) and Executive Masters of Business Administration (Finance Option) from the University of Ghana Business School, Legon. He qualified as an Associate of the Chartered Institute of Bankers (ACIB), Ghana in 2003. He also passed the Association of Chartered Certified Accountants, UK examinations up to the professional level.

Alex is a Fellow of the Chartered Institute of Bankers, Ghana and serves on the Education and Executive Committees of the Institute, having previously served as a Council Member. He is also a former member of the Boards of Konrad Adenauer Memorial Credit Union (KAMCCU) at the Credit Unions Head Office, Accra and Suma Rural Bank, Suma Ahenkro. He is a former Director of Finance of the Presbyterian Church of Ghana, Ascension Congregation, North Legon.

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 20 years' experience in the law profession.

Samuel Gyimah Amoako
Head, Internal Control

Samuel Gyimah Amoako is a multifaceted professional with over 17 years experience in Auditing, Accounting and Financial Reporting, Banking, Taxation and Project Management.He joined the ARB Apex Bank as an Internal Auditor/Inspector in February, 2015.

Five years afterwards, he was appointed as Head of Finance and Strategy Unit of the Bank, where he worked until his new appointment as Head, Internal Control Department in July, 2020.

Prior to joining ARB Apex Bank, he worked with Guaranty Trust Bank Ghana Limited as the Deputy Unit Head, Financial Control, from June, 2013 to January, 2015. He also worked with First Atlantic Bank from January, 2006 to June, 2013 as a Relationship Manager in the Corporate Banking Department, and as Assistant Manager, Internal Control and Audit. Prior to his banking career, he had auditing experience with Eddie Nikoi Accounting Consultancy, as Audit Officer.

Samuel is a Chartered Certified Accountant and Tax Practitioner, a Fellow of the Association of Chartered Certified Accountants (ACCA), a member of the Institute of Chartered Accountants, Ghana (ICAG), Chartered Institute of Taxation Ghana (CITG) and Institute of Internal Auditors (IIA). He also holds BSc. Administration (Accounting Option) and a MSc. in Professional Accountancy from the University of Ghana and University of London respectively.

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

Prior to joining ARB Apex Bank as the Head of Risk and Credit Management, Asantey was the Chief Risk Officer of Premium Bank. 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), a Fellow of the Association of Certified Chartered Economists (FCCE, USA Global), and a Chartered Global Management Accountant (CIMA-UK). He is also a member of the Institute of Directors (Ghana). He holds a PhD in Business Administration (Finance Major).

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

Gordon joined the Bank on September 1, 2018. He brings to ARB Apex Bank rich experience spanning more than 20 years in both local and international companies.

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

Benjamin Chemel
Head, Finance & Administration

Benjamin is a Chartered Accountant, a Banker and a Finance Professional with over 24 years experience in the financial services industry. His wealth of experience spans Banking, 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 after 5 years stint with Fiaseman Rural Bank. 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.

03.

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 2020.

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, 2019 (Act 992) 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) now Companies Act, 2019 (Act 992). It has been licensed by the Bank of Ghana, through the ARB Apex Bank Ltd Regulations, 2006 (L.I. 1825), to provide banking and non-banking support services to the Rural and Community Banks (RCBs). The core mandate and the line of business of the Bank did not change during the year under review.

The Bank is owned by the Rural and Community Banks in Ghana. The ownership structure remained unchanged during the 2020 financial year. No rural bank has significant percentage of shares to influence decision making.

Covid-19 Impact on ARB Apex Bank and Rural Banks

The impact of the pandemic on the ARB Apex Bank has yet to be fully known. So far, most of the financial indicators like deposits and assets base of the Bank had recorded marked improvement.

Following the pandemic and Bank of Ghana directive to banks to reduce their lending rates to boost the economy, the Bank reduced its lending rate to RCBs by 300 basis points in September 2020. The Bank also collaborated with National Board for Small Scale Industries (NBSSI) to administer Government's Covid-19 alleviation programme by extended support to affected enterprises and individuals.

As at 31 December 2020, a total of GH¢25.6 million has been disbursed through Rural and Community banks to over 11,300 beneficiaries.

One area that has seen some adverse impact is expenditure on cleaning and sanitation due to provision of Personal Protective Equipment (PPEs) and staff medical bills due to frequent testing by staff who have come in close contact with infected persons.
In order to minimise the spread among staff and customers, the Bank instituted various measures to contain the situation including:

- The provision of protective gears
- Provision of water and soap for hand washing and hand sanitizers at all the Bank's branches
- Implementation of working from home and shift systems to decongest the offices
- Reduction in the interest on all credit facilities by 300 basis points
- Activation of Business Continuity Programs (BCP) related to the current circumstances and continuously review of these programmes as the situation changes
- Ensuring that all the Apex Bank's branches and RCBs abide by the public notices and directives issued by the government of Ghana, the ministry of health and all relevant authorities in relation to the Covid-19 pandemic
- Ensuring that all staff and customers comply with the social distancing protocol
- Take steps to ensure that all front line and critical staff are provided with protective gears and equipment

The current trend is expected to continue until most of our population is vaccinated to break the chain of spread.
The sector recorded a decline in profits before tax from GH¢6,627,067 in March, 2020 to GH¢ 2,024,183 at the end of June, 2020. This was largely as a result of;

- Decline in general economic activities as a result of the Lockdown
- Some RCBs wrote-off their investments that were locked up at SEC regulated institutions. These write offs do not have any impact on the Bank.

Rural Banking sector performance since the emergence of the pandemic

The rural banking sector experienced an increase in profit before tax from GH¢ 2.02 million in June 2020 to GH¢ 19.2 million in September 2020. This was as a result of the resuscitation of the economy after the lockdown and the increased revenue from interest bearing activities.

The Profit before Tax for the sector over the period is tabled below:

	March, 2020	June, 2020	September, 2020
Profit Before Tax	GH¢ 6,627,067	GH¢ 2,024,183	GH¢ 19,227,269

A summary of some of the key financial of the sector over the period shows a steady increment in Total Assets, Deposits and Gross Advances as tabled below:

	March, 2020	June, 2020	September, 2020
Total Assets	GH¢4,802,981,391	GH¢ 5,095,194,676	GH¢5,563,768,879
Deposits	GH¢4,028,205,617	GH¢4,321,717,560	GH¢4,768,111,332
Advances	GH¢1,645,170,802	GH¢1,695,394,053	GH¢1,832,127,953

Challenges the Rural Banking Sector faced During the Pandemic

The sector continued to attain marginal growth in the midst of the challenges brought about by the Covid-19 pandemic. With the economic slowdown, the sector is faced with the risk of:

- Economic contraction
- Reducing interest rates and fees and commissions and its implications on income
- Credit losses due to default and its implication on asset quality and liquidity
- Operational constraints:
    - ¤ Keeping employees' safe
    - ¤ Meeting customer expectation

Results of operations

The results of operations for the year ended 31 December 2020 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	**2020 GH¢**	2019 GH¢
Profit before taxation	**5,876,775**	1,009,702
Income tax credit/(Charge)	**(322,222)**	(1,719,451)
Profit/(loss) after tax for the year	**5,554,553**	(787,749)
Other Comprehensive income		
Revaluation gains on post-employment	**(22,565)**	162,001
Revaluation gains on property plant and equipment	**-**	23,707,040
Deferred tax charge	**(1,723,885)**	-
	3,808,103	23,081,292

Dividend

The Bank did not propose the payment of dividend for the year under review (2019: nil). This is to accumulate profits to boost the capital of the Bank.

Corporate Social Responsibility

The Bank spent GH¢335,767 (2019: GH¢50,500) on various socially responsible activities. A donation was made to the National COVID-19 Trust Fund to support the welfare of the needy and vulnerable in society affected by the novel coronavirus disease.

Audit fees

Audit fees paid for the 2020 statutory audit was GH¢145, 200 (2019: GH¢132,655), exclusive of taxes.

Steps Taken to Build Capacity of Directors

The Directors were taken through their core duties and functions and corporate governance principles as part of its induction and orientation. In compliance with the provisions under Section 136 of the Companies Act, 2019 (Act 992), the Bank has put in place the necessary measures to ensure that the Directors undertake a certification program to be organised by the Institute of Directors, Ghana. There shall be additional training on corporate governance, financial reports and analysis, risk and compliance as well as the core principles of banking operations and money laundering.

The Board shall also undergo training to be organised by the Chartered Institute of Bankers on Basel II and III and its implications on banks, overview of the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930), Risk Management, Finance for Non- Finance Executives, Ethics and Professionalism in Banking, IFRS 9 and 16, among others. The necessary budget allocations had been made for the training programmes.

Most of the planned training programmes for directors last year could not take place due the outbreak of COVID-19.

The report has been approved by the board of directors on **25 March 2021** and have been signed on behalf of the board by two directors.

Dr Anthony Aubynn
Board Chairman
21 April 2021

Kojo Mattah
Managing Director
21 April 2021

04.

CORPORATE GOVERNANCE REPORT

TO THE MEMBERS OF ARB APEX BANK LIMITED

ARB Apex Bank Limited has a good governance practice that ensures that governance is at the center of its core values. The Bank implements effective corporate governance principles in its business operations as a whole. The Board ensures that the Bank complies with the applicable provisions on corporate governance in the Banks and Specialized Deposit Taking Institutions Act, Act 930 and the Companies Act, Act 992 as well as the principles of best practices. The Bank has structures and processes set out in its regulations and policies, including the Board's Charter which promotes transparency, disclosures and accountability.

The Board of Directors

The Board of Directors of the Bank have the overall responsibility for ensuring compliance with the legal and regulatory provisions on corporate governance. The Board is ultimately responsible for ensuring that the best practices of corporate governance are maintained and adhered to by the Bank. In order to promote effective governance of the Bank, the following structures have been put in place for the execution of the Bank's Corporate Governance strategy:

1. Board of Directors and Company Secretary
2. Board Committees
3. The Managing Director

As at 31 December 2020, ARB Apex Bank Limited had 13 members of the Board of Directors with one Executive Director.

1. Dr Anthony Aubynn	- Chairman
2. Mr Larry Kwesi Jiagge	- Vice Chairman
3. Ms Margaret-Ann Wilson	- Member
4. Mr Cletus Azaabi	- Member
5. Mr Yaw Odame-Darkwa	- Member
6. Ms Naa Odofoley Nortey	- Member
7. Mr Edwin K. Adjei	- Member
8. Mr Frank Owusu	- Member
9. Mr Daniel O. K. Owusu	- Member
10. Dr Phillip Yaw Amakye	- Member
11. Mr Francis Kogh Beinpuo	- Member
12. Mr Philip Abradu-Otoo	- Member
13. Mr Kojo Mattah	- Managing Director/Member

The Board of Directors executes its mandate and responsibility through its Committees. The Committees include the following: Risk, Audit and Compliance; Finance; Administration and Legal; ICT & Cyber and Information Security; and Procurement. The Committees have policies and laid down procedures with governance issues as the underlining principle.

Key Responsibility

The mandate of the Board of Directors is to act in the best interest of the Bank by ensuring that the core purpose of the Bank is achieved. The Board ensures this by protecting the interest of shareholders as well as other stakeholders of the Bank. The Board provides overall guidance policy direction and oversight in the Bank's strategic direction, policy formulation and is the ultimate decision-making body of the Bank.

The roles of the Board Chairman as well as the non- executive Directors and the Managing Director are separated and clearly defined.

The Chairman of the Board and the Directors are primarily responsible for the working of the Board whilst the Managing Director is responsible for the day-to-day operation of the business in accordance with the Board's strategic plans and policy direction. The Board is ultimately responsible for the Bank's structure and areas of operation, financial reporting, as well as ensuring that there is an effective system of internal control, risk management and compliance. The Board has the authority to delegate matters to Directors, Committees, the Managing Director and the Management Committee. The Board regularly reviews the Bank's performance, matters of strategic concern and any other matters it regards as material.

The Board meets quarterly and additional meetings may be convened as the need arises. The Board evaluates itself on an annual basis.

Appointments

During the 2020 financial year, the following Directors were appointed after prior approval of the Bank of Ghana:

1. Dr Anthony Aubynn - Chairman
2. Mr Larry Kwesi Jiagge - Vice Chairman
3. Ms Margaret-Ann Wilson - Member
4. Mr Cletus Azaabi - Member
5. Mr Yaw Odame-Darkwa - Member
6. Ms Naa Odofoley Nortey - Member
7. Mr Edwin K. Adjei - Member
8. Mr Frank Owusu - Member
9. Mr Daniel O. K. Owusu - Member
10. Dr Phillip Yaw Amakye - Member
11. Mr Francis Kogh Beinpuo - Member
12. Mr Philip Abradu- Otoo - Member

Attendance at Board Meetings

Membership and attendance at Board meetings during the year are set out below:

NAME	30/04/20	24/07/20	22/10/20	11/12/20
1. Dr Anthony K. Aubynn	✓	✓	✓	✓
2. Mr Larry K. Jiagge	✓	✓	✓	✓
3. Mr Daniel O. K. Owusu	✓	✓	✓	✓
4. Mr Frank Owusu	✓	✓	✓	✓
5. Mr Cletus Azaabi	✓	✓	✓	✓
6. Ms Naa Odofoley Nortey	✓	✓	✓	✓
7. Ms Margaret-Ann Wilson	✓	✓	✓	✓
8. Mr Yaw Odame-Darkwa	✓	✓	✓	✓
9. Mr Edwin K. Adjei	✓	✓	✓	✓
10. Mr Philip Abradu-Otoo	✓	x	✓	x
11. Mr Kojo Mattah	✓	✓	✓	✓
12. Mr. Francis K. Beinpuo	-	-	-	✓
13. Dr Phillip Y. Amakye	-	-	-	✓

Financial Reporting

The Board has presented a balanced assessment of the Bank's position and prospects. The Board is mindful of its responsibilities and is satisfied that in the preparation of its Financial Report, it has met its obligation under the Board Charter and applicable legal provisions.

The Directors make themselves accountable to the shareholders through regular publication of the Bank's Annual Financial Reports and holding of Annual General Meetings (AGM). The Board has ensured that the Bank's reporting procedure is conveyed on the most recent infrastructure to ensure accuracy. This procedure involves the monitoring of performance throughout the financial year, in addition to monthly reporting of key performance indicators.

Deloitte and Touche acted as external auditors to the Bank during the 2020 financial year.

Internal Control

The Bank is mindful of the importance of its Internal Control functions in the general operations and has put in place effective control systems to ensure that the Bank's operations are carried in a safe, objective and effective manner. The Board reviews the effectiveness of the system through regular reports and reviews which is submitted at Committee and Board meetings.

1. Anti-Money Laundering

The Board and Management of the Bank are committed to ensuring compliance with the statutory provisions in the Anti-Money Laundering Act, 2020 (Act 1044) and the applicable regulations and guidelines. Staff are continuously trained on the Bank's anti-money laundering policies to ensure strict compliance.

2. Conflicts of Interest

The Bank has a comprehensive policy on conflict of interest and disclosures and the Bank ensures strict compliance with the legal provisions on conflicts of interest and disclosures. The Bank has an Interests Register where Directors and Key Management Personnel record their interests. The laid down policies and procedures of the Bank's businesses ensures that the law is strictly complied with to reduce any conflicts of interest that may arise and where there are conflicts, there are effective means of disclosing the conflict of interest.

3. Shareholdings Rights

The Board ensures that general meetings are held regularly in accordance with law and the shareholders are provided with all information as required by statute in respect of the Bank's general operations. Shareholders, who are the Rural and Community Banks, are treated equally and provided adequate time and equal opportunity to seek clarifications on the Bank's published Financial Statements at General Meetings.

4. Annual Certification

The Board certifies that for the financial year ended 31 December 2020, the Bank has complied with the provisions of the Corporate Governance as contained in Act 930 and Act 992 as well as the best practice, including but not limited to:

a. Board qualification and composition
b. Board size and structure
c. Board Secretary
d. Other engagements of Directors
e. Board Committees

In addition, the Board certifies that:

1. It has independently assessed and resolved that the Bank's corporate governance process is effective and has successfully achieved its objectives.
2. Directors are aware of their responsibilities to the Bank as persons charged with governance.

05.
CHAIRMAN'S REPORT

Dr Anthony Aubynn
Board Chairman

INTRODUCTION

Distinguished Shareholders, Fellow Directors, Ladies and Gentlemen. On behalf of the Board, I warmly welcome you to the 19th Annual General Meeting (AGM) of the ARB Apex Bank Limited and to report on the performance of your Bank for the 2020 financial year.

THE GLOBAL ECONOMY

Global economic recovery is somewhat back on track although new variants of the COVID-19 virus had been threatening economic activity since the last quarter of 2020. The continued policy support and ongoing vaccine rollout efforts have helped to boost optimism and investor confidence for a rebound in economic activity for 2021. The IMF projects a global economic growth at 5.5% in 2021.

Global financing conditions remained benign as major central banks reaffirmed the provision of continued policy support and improved prospects due to ongoing vaccination efforts. Borrowing costs remain generally low despite a marginal pick up in long-term bond yields in some advanced countries.

THE GHANAIAN ECONOMY

The COVID–19 pandemic significantly curtailed Ghana's economic growth momentum. Real GDP growth was estimated to decelerate from 6.5% in 2019 to 1.7% in 2020, due to the slump in oil prices and weakened global economic activity.

Inflation closed the year at 10.6% in 2020 from 8.7% in 2019 due to pandemic-related interruptions in supply chains and increase in food prices occasioned by panic buying during the lockdown. The Ghana cedi put up an impressive showing, depreciating by 3.1% in 2020, compared with a 10% depreciation in 2019. This could be attributed to the slowdown in imports as a result of lockdown and the supply of dollar by Bank of Ghana to boost liquidity of the market.

The banking sector reform, including recapitalization of banks enhanced the overall resilience of the sector.

THE BANKING INDUSTRY

The performance of the banking sector remained strong at the end of 2020, with robust growth in total assets, deposits and investments. The increase in total assets resulted in strong growth in investments in government securities. Total deposits recorded significant year-on-year growth reflecting strong liquidity flows emanating from the COVID-19 fiscal stimulus and payments to contractors. Overall, the impact of the pandemic on the industry's performance seems moderate as banks remained liquid, profitable and well-capitalized.

Series of policy and regulatory measures were put in place by the Bank of Ghana to loosen financing conditions, ease liquidity pressures and keep credit flowing to support critical sectors of the economy. These measures, including the reduction in the Policy Rate by 150 basis points, the lowering of the primary reserves by 200 basis points and the drop of the Capital Adequacy Ratio by 150 basis points, were not only helpful but timely.

Series of policy and regulatory measures were put in place by the Bank of Ghana to loosen financing conditions, ease liquidity pressures and keep credit flowing to support critical sectors of the economy. These measures, including the reduction in the Policy Rate by 150 basis points, the lowering of the primary reserves by 200 basis points and the drop of the Capital Adequacy Ratio by 150 basis points, were not only helpful but timely.

The rural banking sub-sector also recorded some significant improvements in the year under review with total assets growing by 33.3% year-on-year from GH¢4.2 billion to GH¢5.6 billion at the end of September 2020. Deposits rose from GH¢3.4 billion in September 2019 to GH¢4.8 billion as at September 30, 2021. Loans and advances recorded an increase by 15.6% from GH¢1.4 billion to GH¢1.7 billion by September 2020.

The rural banks still have significant amount of money locked up with some Securities and Exchange Commission (SEC) regulated institutions and this continues to have a great toll on the industry. Apart from the denial of payment of interest on these funds, impairment of the principal is gradually wiping out the capital of many rural banks. The ARB Apex Bank will continue to engage the regulators to salvage as much of the funds as possible to improve the situation of the industry.

THE BANK'S PERFORMANCE

Dear Shareholders, there is no denying the fact that banks operated under unbelievably difficult situation in the year under review and your Bank was no exception.

The economic and social difficulties notwithstanding, your Bank put up an impressive performance, increasing its total operating income by 16% from GH¢64.96 million in 2019 to GH¢75.3 million in 2020. Profit before tax soared by a whopping 482.4% from GH¢1.0 million in the previous year to GH¢5.9 million.

The total assets of the bank recorded a significant growth of over 29% from GH¢582.4 million in 2019 to GH¢751.9 million in 2020. The sharp growth was mainly due to growth in deposits.

Deposits grew by 32.6% from GH¢488.9 million in 2019 to GH¢648.5 million in 2020 with corresponding growth of 62.2% in Investments, rising from GH¢258.3 million in 2019 to GH¢418.9 million in 2020.

Your Bank continued to invest heavily in infrastructure to support the smooth running of our RCBs. Besides the US$8.0 million funding from the Ministry of Finance and World Bank, the Board recently approved additional US$1.2 million to support the upgrade of the Data Center and the Disaster Recovery site to avert any interruption in the operations of our RCBs.

One area that is concerning is the huge impairment provisions against loans and overdrawn balances of some RCBs as the ARB Apex Bank tries to sustain the weak banks to forestall any contagion effect that may occur when the weak ones fail. Dear shareholders, I wish to assure you that we shall do our best to improve the lots of the Bank by maintaining a fine balance between increasing shareholder value and sustaining the industry as a whole.

GH¢5.6 billion	15.6%	GH¢ 75.3 million	GH¢ 5.9 million
Total Assets in the Rural Banking sub-sector in 2020	Increase in Loans and advances in the Rural Banking sub-sector in 2020	Total Operating Income of ARB Apex Bank at the end of 2020	ARB Apex Bank's Profit before tax in 2020

CHANGES TO THE BOARD

Distinguished Shareholders, the Board had the full complement of its members in December 2020. Unfortunately, the Ashanti Chapter Representative, Dr Philip Amakye, resigned at the end of March, 2021 citing personal reasons. We expect the Ashanti Chapter to submit a replacement as soon as practicable.

Let me reiterate that the revision of the ARB Apex Bank Limited Regulations, 2006 (L.I. 1825) is expected to reduce the number of members of the board of the Bank from the current 13 members to 7.

CAPITALISATION OF THE ARB APEX BANK LTD.

The Bank's paid-up capital stood at GHS9.2 million as at December 2020, which is woefully inadequate for the smooth operations of the Bank. The need for the Bank to boost its single obligor limit as required by Act 930 demands an urgent and drastic decision to restructure the balance sheet of the Bank. On the agenda today is a proposal of this restructuring and I appeal to all shareholders to support the move to relieve the Bank of its operational difficulties, thereby improve its asset utilisation and profitability.

OUTLOOK

The economic outlook is good in the short to medium term, contingent on an increase in demand for Ghana's exports, improved business confidence, and successful implementation of the Ghana COVID–19 Alleviation and Revitalization of Enterprise Support program. Growth is projected to increase to 4% in 2021 and 4.1% in 2022 according to the African Development Bank.

The softening of consumer confidence reflected heightened concerns about the potential re-imposition of restrictions following the upsurge in COVID-19 cases in the first two months of the year. However, with the commencement of the vaccine roll out and gradual lifting of remaining restrictions, the expectation is for both business and consumer confidence to rebound.

The banking sector, including the rural banking sub-sector, remains well-positioned to continue with the core objective of financial intermediation to support the ongoing recovery process.

ACKNOWLEDGEMENTS

Distinguished shareholders, let me first of all thank the Government of Ghana for exempting the rural banking industry from the additional 5% tax on profit meant for the recovery of the financial sector clean-up. Like Oliver Twist, may I use this opportunity to reiterate our long-standing plea for the corporate tax paid by rural banks to be reduced from the current 25% to help the sector to deliver on its mandate of deepening financial intermediation in the rural parts of the country.

I wish to express my deepest gratitude to my colleague Board members for your unwavering support and invaluable contributions. Similarly, I thank Management and staff of the Bank for their loyalty and commitment to hard work. I wish to acknowledge our RCB customers for their healthy business relationship and our External Auditors for their professional partnership.

I finally wish to thank you, our cherished Shareholders and colleague board members of our rural banks for the confidence you have reposed in us by electing us to steer the affairs of the Bank.

Thank you for your attention.

29%

Growth in Total Assets in 2020

GH¢648.5 million

Total deposits of the bank in 2020

62.2%

Percentage growth in total investment in 2020

US$ 9.2 million

Total Investment in infrastructure

06.

THE MANAGING DIRECTOR'S REPORT

Mr. Kojo Mattah
Managing Director

INTRODUCTION

Mr Chairman, Distinguished Shareholders and Directors of ARB Apex Bank, I am excited to welcome all of you to the 19th Annual General Meeting (AGM). Just when we thought that the strong wind surrounding the financial sector clean-up had settled, and some of our banks had started receiving payments for their locked up funds, then the novel Coronavirus (COVID-19) began to ravage all nations of the world. I must however stress my excitement because this AGM, coming in the midst of COVID-19, is expected to take some landmark decisions that would move our Bank on to the next pedestal. Due to the social and physical distancing protocols which are still in force all over the country, most Shareholders of Rural and Community Banks (RCBs) and Directors are joining this second virtual AGM remotely from various locations across the country. It is our hope that internet connectivity remains stable to enable all Shareholders to participate fully in all items on the agenda.

STAFFING

In the year under review, Mr. Samuel Gyimah Amoako, who has been with the Bank since 2016, was appointed as the Head of Internal Control Department. Mr. Amoako had served as the Finance Manager with the Finance and Administration Department of the Bank and also served with the Internal Control Department. He replaced Mr. Collins Ofori-Adu, who served in the role from June 2015 to July 2020 and proceeded on statutory retirement. Your Bank continues to operate with a very efficient but lean staff strength of about 160 employees.

HIGHLIGHTS OF FINANCIAL PERFORMANCE

Distinguished Shareholders and Directors, I am happy to announce that despite the ravages of COVID-19, the Bank recorded an appreciable Profit before Tax (PBT) of GH¢5.9 million, an increase of 482%, over the previous year and the highest PBT in more than 6 years. Our total operating income also grew from GH¢65 million in 2019 to GHS75.3 million, a jump of 16% in the year under review.

Total assets of the Bank also upended the previous year's performance by 29%, growing from GHS582.4 million in 2019 to GH¢751.9 million in 2020.

Deposits also rose by 33% from GH¢488.9 million in 2019 to GH¢684.5 million in 2020. All these positive indicators and trends, are indicative of the fruits of the vision of our Directors and hard work of the Management and Staff.

STRATEGIC INTERVENTIONS FOR IMPROVING BANKING EXCELLENCE

The Banking sector has been experiencing a constant flux of sweeping changes, aided largely by technology and innovation. In order to keep pace with these changes and to break out of our silos, leadership of the Bank decided to invest heavily in key growth sectors of the Bank. Some of these growth enabling investments in the year under review are as follows:

i. Koforidua Branch Opening

An ultra-modern two-storey branch and office complex valued at GH¢3.1 million was commissioned in Koforidua, the Eastern Regional Capital on Friday, October 23, 2020. The facility hosts our Regional Office Branch on the ground floor, a state-of-the-art office and conferencing facility as well as offices for the Eastern Regional Chapter of the Association of Rural Banks. Though we are integrating Information and Communication Technology (ICT) tools to enhance our business processes, the Koforidua Branch building would serve as a model to future investments in other regional chapter office buildings.

INTERVENTIONS FOR IMPROVING BANKING EXCELLENCE

- **KOFORIDUA BRANCH OPENING**
- **INVESTMENT IN ICT**
- **CYBER SECURITY SOLUTIONS DEPLOYMENT**
- **AGENCY BANKING PROJECT GATHERING PACE**
- **IMPROVED IMAGE OF ARB APEX BANK AND RCBS**
- **COLLABORATIONS**

Mr. Chairman, we have observed with concern the increasing robbery incidents involving our banks. I wish to take this opportunity to advise our member banks to take extra security precautions by reinforcing vaults and premises, improve CCTV cameras, proper screening of security personnel and staff, etc.

ii. Investment in ICT

We have continued to invest heavily in ICT, which have become key business enablers all over the world. Today, we can boast of a modern ICT backbone, which is helping us develop innovative customer-centric products for our customers.

Mr. Chairman, I am happy to announce that the Data Centre upgrade being funded by the World Bank has been completed, and I believe that our banks can attest to the vast improvement in service turnaround time on the network and the improved real-time communication between RCBs and Apex Data Centre as well as the Disaster Recovery Site. The Data Centre upgrade is also aiding the operation of our Mobile Money Interoperability, which would allow our esteemed customers the opportunity to perform enhanced services on their phones and through stand-alone Points of Sale (PoS) devices, and help our banks to improve their commission and fee earning capacity. Processes are far advanced for us to join forces with the largest Money Transfer Operator (MTO), MTN, before the end of the year 2021.

iii. Cyber Security Solutions Deployment

Esteemed Shareholders and Directors, the Ghana Financial Sector Development Project (GFSDP) which is being implemented to improve and strengthen the financial sector under the World Bank project financing by the Government through Ministry of Finance has approved a contract to be awarded for the implementation of four major cyber and information security requirements as stipulated in the Bank of Ghana Cyber Directive. This Contract will offer ARB Apex Bank and RCBs the following security benefits:

a. Protect and secure all access to database applications in use for all our critical applications, e.g. T24, CCC-ACH, SWIFT, iTrans, etc.,

b. Protect, secure and segregate all access to our existing local and wide area networks,

c. Provide a third layer of security on accessing all applications on our network through the use of software and hardware tokens (i.e. providing additional 4 digit codes during login to all applications including our computers), and

d. Protect and secure our local and external networks against hackers. This system will provide ARB Apex Bank real time information on the type of attack and where it is being originated from.

iv. Agency Banking Project Gathering Pace

It is my joy to announce to Shareholders that the first phase of the Agency Banking project, being feasibility study and business modelling has been completed. We are in a process of selecting a service provider to support the deployment of the shared Agency Banking platform which is expected to sign up at least 5,000 Bank Agents. This would lead to the launch of this novel project in the RCBs' sub-sector, bringing in a never before seen revolution in the rural economy of the country.

v. Improved Image for ARB Apex Bank and RCBs

Mr. Chairman, strategic positioning of our Bank remains a top priority for us, which is why we continue to adopt contemporary Marketing and Public Relations tools to help improve the image of the Bank and our member banks. We have, therefore, continued with the production of *The Rural*

Banker magazine to adequately inform the public about the workings of the rural banking sector. We have also continued to deploy social media tools such as Facebook, LinkedIn, etc., to pitch our brands to the young and upwardly mobile generation.

vi. Collaborations

We have continued with the establishment of strategic partnerships and collaborations with key agencies to generate business for the RCBs. A significant one in the year under review, was the collaboration with Ghana Highway Authority (GHA) for the collection of toll revenues and axle load spot fines across the country. I am happy to announce that we won this contract against strong competition from eigth (8) other banks. The project which operates at 38 toll and 19 axle load stations across the country is being undertaken with 33 RCBs, carefully selected within the reach of the tolls and axle load stations.

Mr. Chairman, the second collaboration worth reporting is one with the National Board for Small Scale Industries (NBSSI), (now Ghana Enterprises Agency) in the disbursement of loans to beneficiaries through our RCBs across the country under the Coronavirus Alleviation Programme Business Support Scheme (CAPBuSS). This collaboration resulted in the disbursement of GH¢26.5 million of the CAPBuSS by 70 RCBs and to over 9,000 beneficiaries.

We have initiated negotiations with other institutions to generate more strategic partnerships for the benefit of our member banks. The cooperation of the RCBs in these collaborations is highly commendable and we shall continue to count on their support in the coming years.

GRATITUDE

At this juncture, I wish to expresss my profound gratitude to the Shareholders and Board of Directors for their support and vision throughout the period. To the Management and Staff, despite the uncertainties experienced in the sector, you continue to put your best feet forward. I am also happy that our continued efforts are yielding positive results.

We shall continue with the implementation of the right strategies for the benefit of our Shareholders, member banks as well as employees of the Bank. It is my prayer that the 2021 performance of the Bank would be even more remarkable.

Thank you.

> ***We have continued with the establishment of strategic partnerships and collaborations with key agencies to generate business for the RCBs. A significant one in the year under review, was the collaboration with Ghana Highway Authority (GHA) for the collection of toll revenues and axle load spot fines across the country.***

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 financial statements of ARB Apex Bank Limited, set out on pages 33 to 93, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, the notes to the financial statements, including a summary of significant accounting policies and other explanatory disclosures.

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 2020, and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards, the requirements of the Companies Act, 2019 (Act 992) 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 Auditors' 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 Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) and other independence requirements applicable to performing audits of financial statements in Ghana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements that are relevant to our audit of financial statements in Ghana.
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	
As disclosed in Note 12, the impairment of loans amounted to GH¢7.7 million for the year, whilst the carrying value of loans and advances was GH¢49 million. Significant judgement is required by the directors in assessing the expected credit loss allowance of loans and advances. Accordingly, for the purposes of our audit, we identified the impairment of loans and advances as representing a significant risk of material misstatement and a key audit matter. The assumptions with the most significant impact on the cash flow forecast were; – Determining the staging of financial assets of the Bank which includes establishing groups of similar financial assets	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. 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.

Key Audit Matters	How our audit addressed the key audit matter
Loan Loss Provision	
– 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). 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..	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 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 Report of the Directors and the Corporate Governance Report, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or 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 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 directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the requirements of the Companies Act, 20019 (Act 992) and the Banks and Specialised Deposit Taking-Institutions Act, 2016 (Act 930) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either 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 judgement 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 related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

We communicate with those charged with governance 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 those charged with governance 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance 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

In accordance with the Seventh Schedule of the Companies Act, 2019 (Act 992) we expressly state that:

1. We have obtained the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit.
2. In our opinion:
    - proper books of accounts have been kept by the Bank, so far as appears from our examination of those books.
    - the information and explanations given to us, were in the manner required by Companies Act, 2019 (Act 992) and give a true and fair view of the:
        a. statement of financial position of the Bank at the end of the financial year, and
        b. statement of profit or loss and other Comprehensive income for the financial year.

3. The Bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the accounting records and returns.

4. We are independent of the Bank, pursuant to section 143 of the Companies Act, 2019 (Act 992).

The Banks and Specialized Deposit-Taking Institution Act, 2016 (Act 930) requires that we state certain matters in our report. We hereby state that:

1. We confirm that the accounts give a true and fair view of the state of the affairs of the Bank and the results of operations for the year under review.
2. We were able to obtain all the information and explanation required for the efficient performance of our duties as auditors.
3. We confirm that the transactions of the entity were within the powers of the Bank.
4. In our opinion, the Bank has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), as amended by the Anti-Money Laundering (Amendment) Act, 2014 (Act 874), the Anti-Terrorism Act, 2008 (Act 762) and Regulations made under these enactments.

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 **Abena Biney (ICAG/P/1508)**

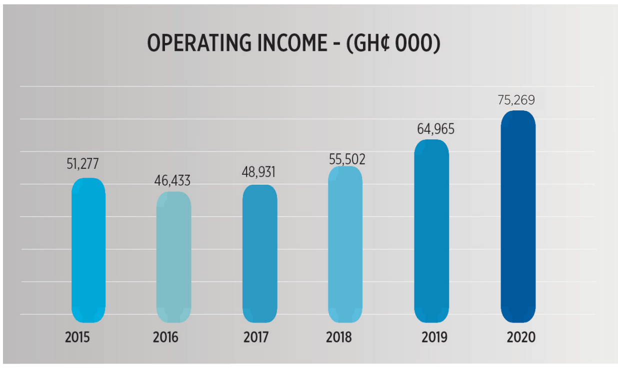
Deloitte & Touche

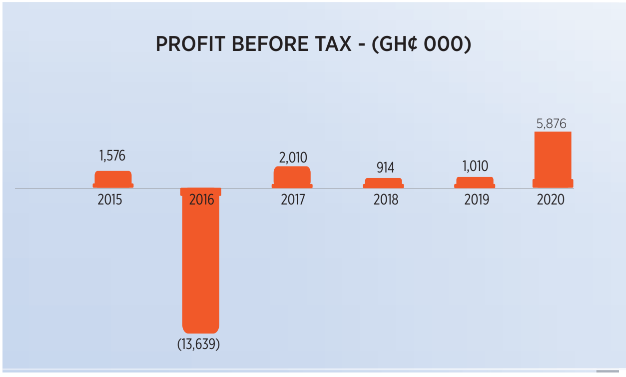
For and on behalf of Deloitte & Touche (ICAG/F/2021/129)
Chartered Accountants
Plot No.71, Off George Walker Bush Highway
North Dzorwulu
Accra Ghana

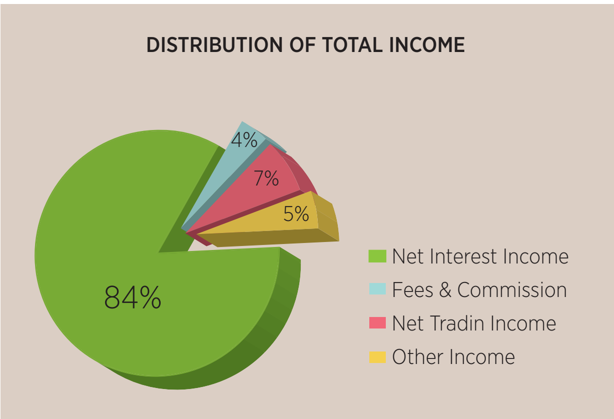
21 April
......................, 2021

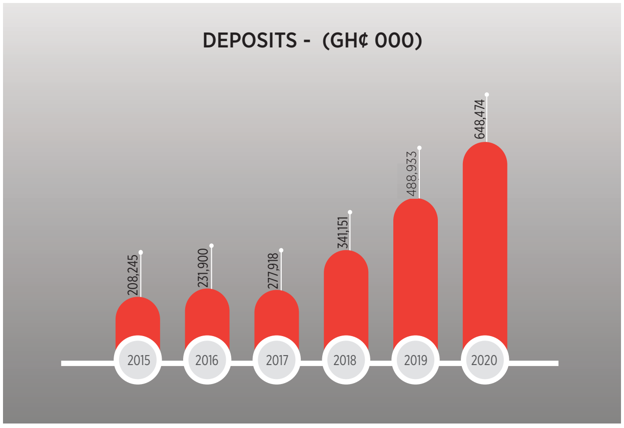
08.
FINANCIAL STATEMENTS
31 DECEMBER 2020

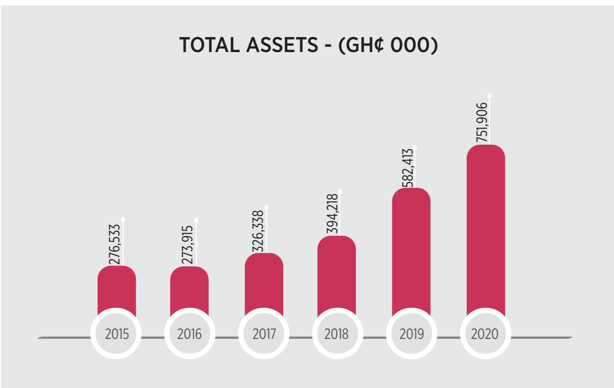
FINANCIAL HIGHLIGHTS

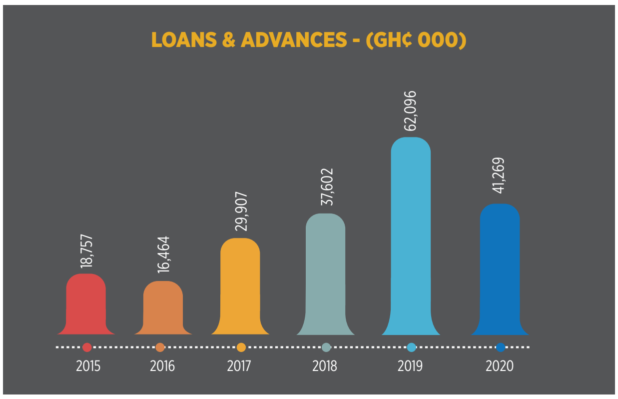












STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 GH¢	2019 GH¢
Interest Income	3	**83,121,669**	61,351,730
Interest expense	4	**(23,153,411)**	(14,221,963)
Net interest income		**59,968,258**	47,129,767
Fees & commission income	5	**4,316,384**	5,448,341
Net trading income	6	**6,518,210**	7,752,829
Other operating income	6(b)	**4,466,258**	4,634,453
Total operating income		**75,269,110**	64,965,390
Net Impairment loss on financial asset	7	**(4,423,495)**	(1,113,945)
Net operating Income		**70,845,615**	63,851,445
Personnel expenses	8	**(37,783,355)**	(36,148,445)
Lease expenses	9	**(723,031)**	(660,881)
Depreciation and amortisation	17	**(4,715,101)**	(4,667,564)
Other operating expenses	9(b)	**(21,747,353)**	(21,364,853)
Total operating expenses		**(64,968,840)**	(62,841,743)
Profit before tax		**5,876,775**	1,009,702
Income tax credit/(charge)	14(a)	**(322,222)**	(1,797,451)
Profit /(Loss) for the year		**5,554,553**	(787,749)
Other comprehensive Income			
Items that will not be reclassified subsequently to profit or loss			
Gain/(loss) on post-retirement medical benefits (net)	21(b)	**(22,565)**	162,001
Revaluation Gain	33	**-**	23,707,040
Deffered tax Charge	14(d)	**(1,723,885)**	-
Total comprehensive income for the year		**3,808,103**	23,081,292
Profit for the year attributable to Owners of the bank		**3,808,103**	23,081,292
Earnings per share			
Basic earnings per share	15	**0.37**	2.23

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

Assets	**Notes**	**2020 GH¢**	2019 GH¢
Cash and cash equivalents	10	**189,812,446**	172,243,493
Investment securities (Amortised costs)	11	**418,870,144**	258,289,607
Loans and advances to customers	12	**41,269,112**	62,096,393
Investments (other than securities)	13	**5,418,781**	5,418,781
Corporate tax assets	14(c)	**1,491,640**	315,050
Deferred tax assets	14(d)	**1,010,538**	803,751
Lease Asset (Right Of Use)	9(a)	**900,265**	1,128,352
Other assets	16	**51,202,710**	40,517,274
Property, plant and equipment	17(a)	**39,027,197**	37,429,025
Intangible assets	17(c)	**2,903,001**	4,170,881
Total Assets		**751,905,834**	582,412,607
Total liabilities and equity Liabilities			
Deposits from customers	18(a)	**511,793,331**	413,195,596
Other Deposits	18(b)	**136,680,621**	75,738,115
Government grant	19	**2,179,632**	2,285,202
Long term borrowing	35	**14,183,045**	15,426,451
Lease Liability	9(a)	**741,648**	1,059,638
Other liabilities	20	**29,494,805**	21,682,956
Total liabilities		**695,073,082**	529,387,958
Equity			
Issued capital	24	**9,194,390**	9,194,390
Income surplus		**12,870,341**	8,010,107
Statutory reserves	25	**12,584,856**	11,890,537
Revaluation Reserves		**21,983,155**	23,707,040
Other Reserves	26	**200,010**	222,575
Total Equity		**56,832,752**	53,024,649
Total Liabilities and Equity		**751,905,834**	582,412,607

Dr Anthony Aubynn
Board Chairman
21 April 2021

Kojo Mattah
Managing Director
21 April 2021

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Stated Capital GH¢	Income Surplus GH¢	Regulatory credit risk reserves GH¢	Other Reserves GH¢	Revaluation Reserves GH¢	Statutory Reserves GH¢	Total GH¢
2020							
At 1 January 2020	**9,194,390**	**8,010,107**	**-**	**222,575**	**23,707,040**	**11,890,537**	**53,024,649**
Profit/ (Loss) for the year	**-**	**5,554,553**	**-**	**-**	**-**	**-**	**5,554,553**
Transfer to statutory reserves	**-**	**(694,319)**	**-**	**-**	**-**	**694,319**	**-**
Other comprehensive income	**-**	**-**	**-**	**(22,565)**	**(1,723,885)**	**-**	**(1,746,450)**
Balance as at 31 December 2020	**9,194,390**	**12,870,341**	**-**	**200,010**	**21,983,155**	**12,584,856**	**56,832,752**

2019

	Stated Capital GH¢	Income surplus GH¢	Regulatory credit risk reserves GH¢	Other Reserve GH¢	Revaluation Reserve GH¢	Statutory reserves GH¢	Total GH¢
Balance as at 1 January 2019	9,194,390	8,797,856	-	60,574	-	11,890,537	29,943,357
Profit for the year	-	(787,749)	-	-	-	-	(787,749)
Other comprehensive income	-	-	-	162,001	-	-	162,001
Revaluation Reserves	-	-	-	-	23,707,040	-	23,707,040
Balance as at 31 December 2019	**9,194,390**	8,010,107	-	222,575	23,707,040	11,890,537	53,024,649

-

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 GH¢	2019 GH¢
Cash Flows From Operating Activities			
(Loss) /Profit before taxation		**5,876,775**	1,009,702
Adjustments for:			
Depreciation and amortisation	17	**4,715,101**	4,667,564
Lease Depreciation	9(a)	**228,087**	148,501
Finance cost of right to use asset	9(a)	**168,095**	175,870
Impairment on financial assets	7	**4,423,495**	1,113,945
Interest earned reversed	9(b)	**-**	617,964
Actuarial (gains)/loss	21(b)	**(22,565)**	216,001
Coupon Income-Preference shares	6(b)	**-**	(935,315)
Notional Interest income	6(b)	**(921,556)**	(1,099,558)
Profit on disposal of property, plant and equipment	6(b)	**(270,641)**	(13,867)
Unrealised Exchange (gains) /Losses	6(b)	**(169,971)**	(357,564)
Capital grant amortisation	6(b)	**(105,570)**	(105,569)
		13,921,250	5,437,674
Changes in Workings Capital items			
Change in loans and advances to customers		**16,627,786**	(25,412,399)
Change in other assets		**(10,438,402)**	(9,071,204)
Change in deposits from customers		**98,597,735**	103,213,341
Change in other deposits		**60,942,506**	44,569,408
Change in deferred grants		**-**	11,471
Change in other liabilities and provisions		**7,811,849**	1,901,028
		187,462,724	120,649,319
Income tax paid	14(c)	**(3,429,484)**	(642,132)
Net cash generated from operating activities		**184,033,240**	120,007,187
Cash Flows From Investing Activities			
Purchase of investing securities		**(160,616,100)**	(179,498,672)
Purchase of property, plant and equipment	17(a)	**(4,849,997)**	(5,501,376)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020 CONT'D.

Proceeds from the sale of property and equipment	17(d)	**325,531**	179,065
Purchase of intangible assets	17(c)	**(250,286)**	(1,041,961)
Net cash flows used in investing activities		**(165,390,852)**	(185,862,944)
Financing Activities			
Change in Borrowings		**(1,243,406)**	14,216,900
Net cash flows generated from financing activities		**(1,243,406)**	14,216,900
Net Increase / (decrease) in cash and cash equivalents		**17,398,982**	(51,638,857)
Cash and cash equivalents at 1 January		**172,243,493**	223,524,786
Effects of Exchange rate fluctuations on cash held		**169,971**	357,564
Cash And Cash Equivalents as at 31 December	**10**	**189,812,446**	172,243,493

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

09.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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, 2019 (Act 992), 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).

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

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

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 2020

- 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.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2.2.1 Government grant

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

Where the Bank receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to profit or loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

2.2.2 Lease arrangement

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the

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condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2.2.3 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.

2.2.4 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.

2.2.4 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:

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

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

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

Other employee benefits – loans at concessionary rate

The Bank grants facilities to staff of the Bank on concessionary terms. The Bank recognises such offerings as part of employee benefits on the basis that such facilities are granted to staff on the assumption of their continued future service to the Bank and not for their past service. The Bank's Lending Rate adjusted for risk not associated with the Bank's staff is applied to fair value such facilities. Any discount arising 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.

2.2.5 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.

2.2.6 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 33.

2.2.7 Provisions

The Bank recognizes provisions when it has a present obligation (legal or constructive) as a result of a past event

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and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Bank expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

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

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

2.2.8 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

2.2.9 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

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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.

2.2.10 IFRS 9: Financial Instruments

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Set out below are the specific IFRS 9 accounting policies applied in the current period.

(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.

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(iv) Investment Securities

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

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2) Impaired financial assets

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

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(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:
- The bank sells the credit obligation at a material credit-related economic loss.

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- 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."

(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:

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• 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 financial liability. Similarly, the Bank accounts for substantial

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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. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will

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

The Bank has not designated any commitments to provide

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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.

2.2.11 Cash and cash equivalents

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

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

i) New and amended Standards that are effective for the current year.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

Application of new and revised IFRS

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:
a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c) There is no substantive change to other terms and conditions of the lease.

Impact on accounting for changes in lease payments applying the exemption

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year.

Amendments to References to the Conceptual Framework in IFRS Standards

The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IFRS 3 Definition of a business

The Company has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset

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or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of material

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

ii) New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 – Property, Plant and Equipment— Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS

Inventories

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

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The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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 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
iii. 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 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.

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3. Interest Income

	2020 GH¢	2019 GH¢
Cash and cash equivalents	**14,954,854**	18,027,413
Loans and advances to rural banks	**8,622,295**	11,100,424
Investments securities	**58,710,202**	31,496,088
Loan and advances to staff	**832,739**	726,321
Mobile Money Interest	**1,579**	1,484
	83,121,669	61,351,730

4. Interest Expense

	2020 GH¢	2019 GH¢
Clearing balances	**1,932,075**	1,210,066
Fixed and time Apex certificate of Deposit	**10,170,490**	5,432,431
Borrowings-Inter-Bank	**18,458**	588,440
Borrowing-Other Financial Institutions	**2,181,615**	1,789,618
Short term deposits(Rural community banks)	**5,024,925**	3,933,152
Staff balances	**141,613**	107,187
Mobile Money Balances	**3,684,235**	1,161,069
	23,153,411	14,221,963

5. Fees and Commissions Income

	2020 GH¢	2019 GH¢
Apex link and money transfers	**108,538**	211,192
Foreign Transfers	**1,365,613**	1,359,590
Managed Funds	**182,084**	119,078
Specie Fees	**73,401**	83,130
Commission on clearing	**921,405**	990,939
Training Fees	**438,700**	1,372,376
Commission on MICR Cheque	**574,548**	703,466
Other commissions	**362,813**	339,456
SMS Commission	**289,282**	269,114
	4,316,384	5,448,341

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6. Net Trading Income

Gains from foreign currency dealings	**6,518,210**	7,752,829

6b. Other Operating Income

	2020	2019
	GH¢	GH¢
Exchange gain	**169,971**	357,564
Capital Grant Amortisation	**105,570**	105,569
Coupon Income-Preference shares	**-**	935,315
Notional Interest	**921,556**	1,099,558
Profit / (loss) on disposal	**270,641**	13,867
Other income	**2,998,520**	2,122,580
	4,466,258	4,634,453

7. Net Impairment Loss on Financial Assets

	2020	2019
	GH¢	GH¢
Stage 3 impairment	**4,283,237**	761,582
Stage 1 impairment	**140,258**	352,363
	4,423,495	1,113,945

8. Personnel Expenses

	2020	2019
	GH¢	GH¢
Wages and salaries	**24,974,613**	20,973,066
Social security cost	**4,161,927**	3,776,079
Staff Accommodation	**1,655,861**	1,483,850
Medical expenses	**1,103,027**	1,260,808
Staff Travel and relocation	**3,224,726**	3,417,131
Other staff allowances	**2,663,201**	5,237,511
	37,783,355	36,148,445

Other staff allowances include cost of staff loans fair valuation of GH¢ 1,346,143.

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9. Lease Asset/Rental expenses

	2020	2019
	GH¢	GH¢
Depreciation of right-of-use	**228,087**	148,501
Finance cost of lease liability	**168,095**	175,870
Short-term rental cost	**326,849**	336,510
	723,031	660,881

9a. Right-of-use lease assets

	2020	2019
	GH¢	GH¢
As at 1 January	**1,276,852**	1,276,852
Additions	-	-
As at 31 Decembeer	**1,276,852**	1,276,852

Accumulated depreciation

	2020	2019
	GH¢	GH¢
As at 1 January	**148,500**	-
Charge for the year	**228,087**	148,500
As at 31 December	**376,587**	148,500
Carrying amount 2020	**900,265**	1,128,352

Lease Liability

	2020	2019
	GH¢	GH¢
As at 1 January	**1,059,638**	883,768
Lease payments for the year	**(486,085)**	-
Finance cost of lease liability	**168,095**	175,870
	741,648	1,059,638

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The Bank leases several leased property and used as its branches. The average lease term is 9 years (2019: 10 years).

None of the leased property expired in the current year and no contract was replaced. None of the property leases in which the Bank is the lessee contain variable lease payment terms that are linked to sales generated from the leased property.

There are no extension or termination options on the lease. The maturity analysis of lease liabilities is presented in note 28.

9b. Other Operating Expenses

	2020	2019
	GH¢	GH¢
Professional fees	**148,499**	582,879
Costs of Bailout	**1,406,046**	441,244
Directors' fees & allowance	**568,052**	689,509
Utilities and cleaning	**2,469,768**	2,220,638
Audit fees	**145,200**	132,655
Staff training	**398,730**	566,208
Rental	**61,117**	59,622
Training of rural banks	**326,686**	890,904
Repairs and maintenance	**1,073,311**	942,658
Meeting and conferencing	**386,616**	499,191
Travels (Local and foreign)	**2,945,410**	2,532,791
Advertising and marketing	**1,017,339**	840,201
Specie	**138,867**	172,452
Communication	**720,587**	653,127
Insurance	**514,820**	418,183
Printing/ Stationery	**494,768**	429,199
Office running costs	**1,029,177**	3,010,402
Fuel and Lubricants	**325,747**	372,409
Vehicle Maintenance Costs	**341,459**	359,347
Subscription /License and Dues	**1,649,555**	1,287,371
Donations	**393,287**	257,049
New Products Expenses	**19,815**	47,188
Clothing & Image Enhancement	**2,472,652**	2,327,588
Outsourced Service	**1,878,428**	1,182,759
Bank Charges	**79,296**	44,209
GIS/ Swift Charges	**113,113**	49,484
Postage	**177,486**	194,190
Communication Cost - RCBs	**444,787**	157,751
Overs and shorts in till	**6,735**	3,645
	21,747,353	21,364,853

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10. Cash and Cash Equivalents

	2020 GH¢	2019 GH¢
Cash and balances with banks	**45,818,180**	33,741,720
Mobile Money E-cash	**19,686,970**	9,322,361
Unrestricted balances with the central bank	**40,852,582**	17,319,412
Money market placements	**83,818,715**	112,000,000
Impairment –term placement	**(364,001)**	(140,000)
	189,812,446	172,243,493

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 due from bank for 2020. The interest rate on placement due from other bank ranged from 13.56%-15.56% (15.36%-15.97% in 2019).

11. Investment Securities – Amortised Cost

	2020 GH¢	2019 GH¢
Government debt securities	**211,558,671**	85,309,906
Treasury bills held to maturity	**207,311,473**	172,979,701
	418,870,144	258,289,607

The average interest rate on the held to maturity investments are 91-day Treasury bill rate 14.21%; 182-day Treasury bill 14.44%; 1-year Notes 17.14%;2-year Notes 18.66%; 5-year Notes 20.48% and 7-year Note 20.17%. These investments are government of Ghana bills which attract a 0% loss rate and therefore no impairment has been charged.

12. Loans and Advances

	2020 GH¢	2019 GH¢
On-lending	**12,630,834**	9,391,232
Capital projects	**5,275,268**	8,322,825
Short term Loan	**16,868,626**	34,767,313
Long term Loan	**1,166,664**	1,500,000
Rural Banks automobile loan	**1,608,935**	1,863,861
Staff loan	**11,450,297**	9,783,179
Total gross loans	**49,000,624**	65,628,410
Less: Allowance for impairment losses	**(7,716,135)**	(3,516,641)
Suspended Interest	**(15,377)**	(15,376)
	41,269,112	62,096,393
Non-performing loans%	**14.6%**	4.3%

NOTES TO THE FINANCIAL STATEMENTS
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Impairment losses on loans and advances

	2020 GH¢	2019 GH¢
Stage 3 impairment	**6,633,673**	2,350,435
Stage 1 impairment	**1,082,462**	1,166,206
Balance as at 31 December	**7,716,135**	3,516,641

Reconciliation of impairment losses

	2020 GH¢	2019 GH¢
Balance as at 1 January	**3,516,641**	2, 112, 574
Charge for the year	**4,199,494**	1,404,067
Balance as at 31 December	**7, 716, 135**	3, 516, 641

13. Investments (Other Than Securities)

	2020 GH¢	2019 GH¢
Balance as at 1 January	**5,418,781**	4,483,467
Notional interest income	**-**	935,314
	5,418,781	5,418,781

The Bank in 2015 invested directly in five (5) RCBs through the purchase of preference shares which were issued by those RCBs. The preference shares had a coupon rate of 2%, redeemable in 10 years. This is measured at amortised cost.

14. Income Tax Expense

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

	2020 GH¢	2019 GH¢
Current income tax	**1,959,055**	817,258
National fiscal stabilization levy	**293,839**	50,485
Deferred tax relating to the origination and reversal of temporary differences	**(1,930,672)**	929,708
	322,222	1,797,451

NOTES TO THE FINANCIAL STATEMENTS
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(b) Reconciliation of tax charge to the expected tax based on accounting profit	2020 GH¢	2019 GH¢
Accounting Profit before taxation	**5,876,774**	1,009,702
Tax at the applicable rate of 25%	**1,469,194**	252,426
Tax on non-deductible expenses	**1,729,912**	2,069,550
Income not subject to tax	**(1,240,050)**	(1,504,718)
National Fiscal Stabilisation Levy	**293,839**	50,485
Tax on temporary diff. to Profit & Loss	**(1,930,672)**	929,708
Deferred tax charged/(credit) to OCI	**1,723,885**	-
	2,046,108	1,797,451

(c) Corporate taxation (payable) / recoverable

	1 Jan	Paid during the year	Charged during the year	31 Dec
	GH¢	GH¢	GH¢	GH¢
Corporate tax/NFSL				
2020	215,535	3,378,998	(1,959,055)	1,635,479
2020 - NFSL	99,515	50,485	(293,839)	(143,839)
	315,050	**3,429,483**	**(2,252,894)**	**1,491,640**

(d) Deferred tax asset/(liabilities)

	2020	2019
	GH¢	GH¢
Opening balance	803,751	1,787,459
Charge to P&L	1,930,672	(983,708)
Charge to P&L & OCI	(1,723,885)	-
Closing balance	**1,010,538**	**803,751**

15. 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.

NOTES TO THE FINANCIAL STATEMENTS
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The following table shows the income and share data used in the basic earnings per share

	2020 GH¢	2019 GH¢
Net (loss)/profit attributable to ordinary equity holders of the parent	**3,808,103**	23,081,292
Weighted average number of ordinary shares for basic earnings per share	**10,327,621**	10,327,621

Earnings per share	**2020** **GH¢**	2019 GH¢
Basic earnings per share	**0.37**	2.23

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.

16. Other Assets

	2020	2019
	GH¢	GH¢
Commission/ interest receivable	**10,908,788**	5,738,256
Prepayments	**30,456,546**	21,267,158
Sundry receivables	**9,837,376**	13,511,860
	51,202,710	40,517,274

ARB APEX BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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17(a) Property, Plant and Equipment - 2020

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 1/1/2020	18,181,800	12,431,931	1,679,822	4,645,092	996,864	6,614,486	10,636,864	3,290,209	58,477,068
Additions	-	378,069	-	1,141,276	322,825	2,190,530	754,607	62,690	4,849,997
Disposal	-	-	-	(116,879)	-	(862,750)	-	-	(979,629)
Transfer	210,000	2,587,949	-	2,700	-	-	-	(2,800,649)	-
Balance as at 31/12/2020	18,391,800	15,397,949	1,679,822	5,672,189	1,319,689	7,942,266	11,391,471	552,250	62,347,436
Accumulated Depreciation									
As at 1/1/2020	-	1,267,063	1,299,446	3,284,631	692,684	4,632,613	9,871,606	-	21,048,043
Charge for the year	-	356,459	109,958	679,904	146,564	1,011,931	892,119	-	3,196,935
Disposal	-	-	-	(100,789)	-	(823,950)	-	-	(924,739)
Balance as at 31/12/20	-	1,623,522	1,409,404	3,863,746	839,248	4,820,594	10,763,725	-	23,320,239
Carrying amount as at 31/12/20	18,181,800	13,774,427	270,418	1,808,443	480,441	3,121,672	627,746	552,250	39,027,197

There was no indication of impairment of property and equipment held by the Bank at 31 December 2020 (2019: Nil). None of the property and equipment of the Bank had been pledged as security for liabilities and there were no restrictions on the title of any of the Bank's property and equipment at the reporting date and at the end of the previous year.

ARB APEX BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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17(b) Property, Plant and Equipment - 2019

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 1/1/2019	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
Additions	-	-	-	752,304	94,765	1,525,196	380,154	2,748,957	5,501,376
Revaluation	16,811,502	6,895,538	-	-	-	-	-	-	23,707,040
Disposal	-	-	-	(133,687)	(30,697)	(408,000)	(18,847)	-	(591,231)
Balance as at 31/12/2019	18,181,800	12,431,932	1,679,822	4,645,093	996,864	6,614,486	10,636,854	3,290,207	58,477,068
Accumulated Depreciation									
As at 1/1/2019	-	969,923	1,172,686	2,777,374	637,853	3,807,712	9,269,178	-	18,634,726
Charge for the year	-	297,140	126,760	586,136	69,303	1,151,301	608,711	-	2,839,351
Disposal	-	-	-	(78,879)	(14,472)	(326,400)	(6,283)	-	(426,034)
Balance as at 31/12/19	-	1,267,063	1,299,446	3,284,631	692,684	4,632,613	9,871,606	-	21,048,043
Carrying amount as at 31/12/19	18,181,800	11,164,868	380,376	1,352,265	304,180	1,981,873	765,258	3,290,207	37,429,025

NOTES TO THE FINANCIAL STATEMENTS
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17 (c) Intangible Assets – Computer Software

	2020	2019
Cost	GH¢	GH¢
As at 1/1/2020	13,643,952	12,601,990
Additions - acquisition	250,286	1,041,962
Balance as at 31/12/20	13,894,238	13,643,952
Accumulated Amortisation		
As at 1/1/2020	9,473,071	7,644,858
Charge for the year	1,518,166	1,828,213
Balance as at 31/12/20	10,991,237	9,473,071
Carrying amount as at 31/12/20	2,903,001	4,170,881

Total depreciation & amortisation for both PPE and intangible assets for the year amounted to GH¢4,715,101 (2019: GH¢4,667,564).

17(d) Disposal of Property, Plant and Equipment

	2020	2019
	GH¢	GH¢
Cost As at 1/1/2020	979,629	591,232
Depreciation	(924,739)	(426,033)
Net Book Value	54,890	165,199
Less Proceeds	(325,531)	(179,067)
Profit/ (Loss)	(270,641)	(13,868)

18(a) Deposits from Customers

	2020	2019
	GH¢	GH¢
Due to rural and community banks	511,793,331	413,195,596
	511,793,331	413,195,596

18(b) Other Deposits

	2020	2019
	GH¢	GH¢
Staff balances	3,168,972	1,777,670
Other current accounts	133,511,649	73,960,445
	136,680,621	75,738,115

No cash collateral was held as deposit as at the year-end (2019:nil)

NOTES TO THE FINANCIAL STATEMENTS
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19. Government Grant

	2020	2019
	GH¢	GH¢
At 1 January	2,285,202	2,379,300
Addition	-	11,471
Released to profit and loss	(105,570)	(105,569)
At 31 December	2,179,632	2,285,202

Government grants have been received for the purchase of certain items of property, plant and equipment. These items are expected to be used to support the operations of the Bank and the RCBs for a number of years.

20. Other Liabilities

	2020	2019
	GH¢	GH¢
Accounts payable and sundry creditors	19,756,646	15,258,405
Regulatory charges	3,253,000	2,171,000
Accrued expenses	5,387,107	3,012,801
Interest payable	1,098,052	1,240,750
	29,494,805	21,682.956

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.

	2020	2019
	GH¢	GH¢
Defined benefit obligation at 1 January	1,599,925	1,512,350
Current service cost	98,862	118,230
Interest cost	345,312	323,061
Benefit paid/ Cost Incurred	(159,508)	(137,715)
Actuarial (gain)/loss in financial assumptions	128,139	(202,338)
Experience actuarial (gain)/loss	(105,574)	13,663
Total liability as at 31 December	1,907,156	1,599,925
Less plan assets for the year	(2,292,393)	(2,122,169)
Excess defined plan assets	(385,237)	(522,244)

The Excess defined plan assets do not represent future economic benefit which is available in the form of refunds from the plan or a reduction 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.

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

	2020	2019
	GH¢	GH¢
Actuarial gains/(loss)	**(22,565)**	216,001
Effect of deferred taxes on actuarial gains and losses	**-**	(54,000)
Net amount recognized in OCI	(22,565)	162,001

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:

	2020	2019
	%	%
Discount rate	**21.0**	22.0
Salary percentile increase	**10.0**	17.9
Inflation on medical cost	**12.5**	12.5

The post-retirement medical benefit is assumed to be an average of GH¢6,174 inflated at 12.5% 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, 2020 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						
Post-Retirement Medical Benefit	1,907,156	2,053,315	1,779,017	1,761,145	2,072,001	1,922,658
Scheme Percentage Change		7.7%	-6.7%	-7.7%	8.6%	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
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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 2019 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 2019:

	2020	2019
	GH¢	GH¢
Short term employee benefits	3,338,166	2,932,118

Total loan balances of key management staff stood at GH¢1,279,961 (2019: GH¢980,768).

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.

	2020	2019
	GH¢	GH¢
Loans and advances (net)	**41,152,146**	62,096,393
Deposit from customers	**511,793,331**	413,195,596
Other deposits	**136,680,621**	75,738,115

23. Dividends Paid and Proposed

No dividend has been proposed in 2020. (2019: Nil)..

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

	2020	2019
	GH¢	GH¢
At 1 January	**9,194,390**	9,140,390
Shares issued during the year	**-**	-
At 31 December	**9,194,390**	9,194,390

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No. of Shares	2020	2019
	Number	Number
At 1 January	10,327,621	10,327,621
Shares issued during the year	-	-
At 31 December	10,327,621	10,327,621

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.

	2020	2018
	GH¢	GH¢
At 1 January	11,890,537	11,890,537
Transfer in 2020 (12.5% of profit)	694,319	-
At 31 December	12,584,856	11,890,537

26. 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.

	2020	2019
	GH¢	GH¢
At 1 January	222,575	60,574
Net amount recognised in OCI	(22,565)	162,001
At 31 December	200,010	222,575

27. 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. The IFRS impairment was higher than the Bank of Ghana provision and therefore, no credit risk reserve was recorded.

NOTES TO THE FINANCIAL STATEMENTS
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28. Maturity Analysis of Assets and Liabilities - 2020

	GH¢	GH¢	GH¢
Assets	**Within 12 months**	**After 12 months**	**Total**
Cash and cash equivalents	189,812,446	-	189,812,446
Investment securities	283,170,144	135,700,000	418,870,144
Loans and advances to customers	19,043,927	22,225,185	41,269,112
Other investments (Other than securities)	-	5,418,781	5,418,781
Corporate tax asset	-	1,491,640	1,491,640
Deferred tax assets	-	1,010,538	1,010,538
Intangible assets	419,523	2,483,478	2,903,001
Other assets	15,457,437	35,745,273	51,202,710
Lease Asset (Right Of Use)	-	900,265	900,265
Property, plant and equipment	575,104	38,452,093	39,027,197
Total Assets	**508,478,581**	**243,427,253**	**751,905,834**
Liabilities			
Deposits from customers	204,717,332	307,075,998	511,793,330
Other deposits	54,672,248	82,008,372	136,680,620
Government grant	-	2,179,632	2,179,632
Borrowings	-	14,183,045	14,183,045
Other liabilities	6,379,627	23,115,178	29,494,805
Lease Liability	-	741,648	741,648
Total Liabilities	**265,769,207**	**429,303,873**	**695,073,080**

NOTES TO THE FINANCIAL STATEMENTS
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28(b). Maturity Analysis of Assets and Liabilities -2019

	GH¢	GH¢	GH¢
Assets	**Within 12 months**	**After 12 months**	**Total**
Cash and cash equivalents	172,243,493	-	172,243,493
Investment securities	206,893,657	51,395,950	258,289,607
Loans and advances to customers	10,392,100	51,704,293	62,096,393
Other investments (Other than securities)	-	5,418,781	5,418,781
Corporate tax asset	-	315,050	315,050
Deferred tax assets	-	801,294	801,294
Intangible assets	11,158	4,159,723	4,170,881
Other assets	11,895,027	28,622,247	40,517,274
Lease Asset (Right of Use)	-	1,128,352	1,128,352
Property, plant and equipment	323,163	37,105,862	37,429,025
Total Assets	**401,758,598**	**180,651,552**	**582,410,150**
Liabilities			
Deposits from customers	167,929,277	245,266,319	413,195,596
Other deposits	75,738,115	-	75,738,115
Government grant	-	2,285,202	2,285,202
Borrowings	-	15,426,451	15,426,451
Lease Liability	-	1,059,638	1,059,638
Other liabilities	11,811,598	9,871,358	21,682,956
Total Liabilities	**255,478,990**	**273,908,968**	**529,387,958**

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 2020. (2019: nil)

Contingent liabilities

There was no contingent liability as of 31 December 2019. (2019: nil)

31. Capital Commitments

There were no capital commitments as of 31 December 2020 (2019: nil)

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32. Risk Management

Introduction:

The Bank's activities expose it to a variety of risks and those activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial services business, and operational risk is inevitable consequence of being in business. The Bank defined risk as the probability of loss to earnings and/or capital arising from business activities caused by internal and external factors. The Bank's aim is therefore, to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. This will preserve the wealth of the Bank through cost savings (by reducing the frequency of risk events and mitigating their related impacts on the Bank's strategic goals).

The Bank's risk management policies are designed to identify and analyse risks, set appropriate risk limits and controls, monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Risk Management Unit regularly reviews the risk management policies and systems to reflect changes in markets, products and emerging best practice. The Objective of the Risk Management Unit is to ensure that the Bank's operations are carried out in a manner such that risks are balanced with rewards.
The Bank manages risk through a framework of risk architecture (governance), 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, Concentration and Reputational.

Risk Governance:

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

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

- The Risk, Inspection and Compliance (RIC) 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

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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 Unit.

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

- Policies and Documentations:
  i. Processes are documented either in the form of policies, manuals or guidelines.
  ii. Processes mapping of core activities identifying all discrete activities with the respective key risk points identified.
  iii. The Bank's staff understand and adhere to the documented rules and procedures

- Appropriate internal controls exist including:
  i. Segregation of duties: business generating functions, recording and monitoring functions
  ii. Independent authorization
  iii. Transaction reconciliations

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

- Effective cyber security and 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.

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• 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.

The Bank's internal controls have been designed to insulate the risk function from any significant operational derelictions that may escalate threats in any aspect of the Bank's operations. Fraud is therefore, controlled in effective manner.

Impact of pandemic risk factor

Pandemics, epidemics or outbreaks of an infectious disease in Ghana could have an adverse impact on our business, including changes to the way we operate, and on our financial results and condition. The spread of the COVID-19 pandemic, given its severity and scale, continues to adversely affect our business to varying degrees, some of our RCBs and also continues to pose risks to the global economy. At the onset of the COVID-19 pandemic, governments and regulatory bodies in affected areas imposed a number of measures designed to contain the COVID-19 pandemic, including widespread business closures, social distancing protocols, travel restrictions, school closures, quarantines, and restrictions on gatherings and events. While a number of containment measures have been and continue to be gradually eased or lifted across some regions, additional safety precautions and operating protocols aimed at containing the spread of COVID-19 have been and continue to be instituted.

In addition, the emergence of a second wave of the COVID-19 pandemic has led to the re-imposition of containment measures to varying degrees. As a result, containment measures continue to impact global economic activity, including the pace and magnitude of recovery as well as contributing to increased market volatility and changes to the macroeconomic environment. As the impacts of the COVID-19 pandemic continue to materialize, the prolonged effects of the disruption have had and continue to have adverse impacts on our business strategies and initiatives, resulting in ongoing effects to our financial results, including the realization of credit, market or operational risk losses

Governments, monetary authorities, regulators and financial institutions, including us, have taken and continue to take actions in support of the economy and financial system. These actions include fiscal, monetary and other financial measures to increase liquidity, and provide financial aid to individual, small business, commercial and corporate clients. Additionally, regulatory relief measures in support of financial institutions have also been provided.

We are closely monitoring the potential continued effects and impacts of the COVID-19 pandemic, which continues to be a rapidly evolving situation. Uncertainty remains as to the full impacts of the COVID-19 pandemic on the global economy, financial markets, and us, including on our financial results, regulatory capital and liquidity ratios and ability to meet regulatory and other requirements. The ultimate impacts will depend on future developments that are highly uncertain and cannot be predicted, including the scope, severity, duration and additional subsequent waves of the COVID-19 pandemic, as well as the effectiveness of actions and measures taken by government, monetary and regulatory authorities and other third parties. Despite recent positive trial results, the ongoing evolution of the development and distribution of an effective vaccine also continues to raise uncertainty. With respect to client relief programs, we may face challenges, including increased risk of client disputes, litigation, government and regulatory scrutiny as a result of the effects of the COVID-19 pandemic on market and economic conditions and actions government authorities take in response to those conditions. We may also face increased operational and reputational risk and financial losses, including higher credit losses amongst other things, depending on the effectiveness of these client relief programs for our individual, small business, commercial and corporate clients. The effectiveness of these programs will depend on the duration and scale of the COVID-19 pandemic and will differ by region, with varying degrees of benefit to our clients

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The COVID-19 pandemic has and may continue to result in disruptions to some of our RCBs and the way in which we conduct our business, including prolonged duration of staff working from home, and changes to our operations, as well as disruptions to key suppliers of our goods and services. These factors have adversely impacted, and may continue to adversely impact, our business operations and the quality and continuity of service to clients. To date, we have taken proactive measures through our business continuity plans to adapt to the shift system for employees, carefully planning the return to premise for some of our employees, and our crisis management teams have increased their efforts to preserve the well-being of our employees and our ability to serve clients.

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In addition to the impact that the COVID-19 pandemic has had and continues to have on our business, it may also continue to increase financial stress on some of our RCBs. This, in conjunction with operational constraints due to the impacts of social distancing, including but not limited to full closures or reduced operating hours, lost sales opportunities and/or increased operating costs, could lead to increased pressure on some of our smaller and bigger RCBs, which could result in higher than expected credit losses for us.

If the COVID-19 pandemic is prolonged, including the possibility of additional subsequent waves, or further diseases emerge that give rise to similar effects, the adverse impact on the economy could deepen and result in further volatility and declines in financial markets. Moreover, it remains uncertain how the macroeconomic environment, and societal and business norms will be impacted following this COVID-19 pandemic. Unexpected developments in financial markets, regulatory environments, or consumer behaviour and confidence may also have adverse impacts on our financial results and condition, business operations and reputation, for a substantial period of time..

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 institute 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, 2020 and 2019 are shown

MATURITY ANALYSIS OF ASSETS AND LIABILITIES IN CEDIS AS AT - 31 DEC 2020

Assets	Total	Less than 3 months	> 3 months< than 1 year	>1 year < 3 years	3 years and over
Cash and cash equivalents	189,812,446	189,812,446	-	-	-
Investments (other than securities)	5,418,781	-	-	-	5,418,781
Loans and advances to customers	41,269,112	3,172,674	8,490,585	12,119,455	17,486,398
Investment Securities-Held to maturity	418,870,144	103,911,086	212,954,048	62,005,000	40,000,000
Other assets	51,202,710	11,671,664	30,783,909	156,960	8,590,177
Total Assets	**706,573,183**	**308,567,870**	**252,228,542**	**74,281,415**	**71,495,356**
LIABILITIES					
Deposits from customers	511,793,331	223,555,362	4,000,000	29,490,266	254,747,703
Other deposits	136,680,621	136,680,621	-	-	-
Other Liabilities	29,494,803	12,606,040	2,912,380	4,112,576	9,863,807

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Total Liabilities	**677,968,755**	**372,842,023**	**6,912,380**	**33,602,842**	**264,611,510**
Net liquidity gap	**28,604,428**	**(64,274,153)**	**245,316,162**	**40,678,573**	**(193,116,154)**

MATURITY ANALYSIS OF ASSETS AND LIABILITIES IN CEDIS AS AT - 31 DEC 2019					
Assets	**Total**	**Less than 3 months**	**> 3 months< than 1 year**	**>1 year < 3 years**	**3 years and over**
Cash and cash equivalents	172,243,493	172,243,493	-	-	-
Investments (other than securities)	5,418,730	-	-	-	5,418,730
Loans and advances to customers	62,096,393	8,408,828	12,840,699	25,773,829	15,073,037
Investment Securities-Held to maturity	258,289,607	48,730,002	168,864,605	35,695,000	5,000,000
Other assets	40,517,274	8,674,738	24,573,921	13,500	7,255,115
Total Assets	**538,565,497**	**238,057,061**	**206,279,225**	**61,482,329**	**32,746,882**
LIABILITIES & SHAREHOLDERS' FUNDS					
Deposits from customers	413,195,596	169,115,108	27,750,000	29,154,334	187,176,154
Other deposits	75,738,115	75,738,115	-	-	-
Other Liabilities	21,682,957	12,866,667	2,084,420	4,369,682	2,362,188
Total Liabilities	**510,616,668**	**257,719,890**	**29,834,420**	**33,524,016**	**189,538,342**
Net liquidity gap	**27,948,829**	**(19,662,829)**	**176,197,771**	**27,958,313**	**(156,791,460)**

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 with the following assumptions:

- All repricing of assets and liabilities occur at the same time, in the middle of the time period.
- The resultant gaps are in effect for the next twelve (12) months.
- No other new business is booked.

Standard scenarios that are considered 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:

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	2020		2019	
	Increase	Decrease	Increase	Decrease
	200bp	200bp	200bp	200bp
Interest Income	5,488,845	(5,488,845)	4, 905,452	(4,905,452)
Interest expense	(7,111,490)	7,111,490	(5,515,309)	5,515,309
Net Impact	**(1,622,645)**	**1,622,645**	**(609,857)**	**609,857**

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	2020	2019
US Dollar	5.7602	5.5337
GB Pound	7.8742	7.3164
EURO	7.0643	6.2114

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at December 31, 2020 and December 31, 2019 respectively (all figures are in Ghana cedis)

December 31, 2020	Dollar	Pounds	Euro	Total
Financial Assets	GH¢	GH¢	GH¢	GH¢
Cash	370,514	-	-	370,514
Bank Balances	1,050,102	464,266	2,868,019	4,382,387
Total	1,420,616	464,266	2,868,019	4,752,901
Financial Liabilities				
Unallocated Funds	-	3,130	-	3,130
Sundry Payments	1,083,587	-	-	1,083,587
Total	1,083,587	3,130	-	1,086,717
Net on Balance Sheet Position	**337,029**	**461,136**	**2,868,019**	**3,666,184**

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December 31, 2019	Dollar	Pounds	Euro	Total
Financial Assets	GH¢	GH¢	GH¢	GH¢
Cash	304,686	-	-	304,686
Bank Balances	1,328,801	348,064	533,695	2,210,560
Total	1,633,487	348,064	533,695	2,515,246
Financial Liabilities				
Unallocated Funds	-	2,908		2,908
Sundry Payments	755,038	-	-	755,038
Total	755,038	2,908	-	757,946
Net on Balance Sheet Position	878,449	345,156	533,695	1,757,300

Sensitivity Analysis

A 5% strengthening/weakening of the cedi against the following currencies as at December 31, 2020 and December 31, 2019 would have impacted on equity and profit or loss by the amounts shown below on the basis that all other variables remains constant.

2020	Change in currency	Effect on Profit/loss	Effect on Equity
		GH¢	GH¢
US Dollar	+/-5%	+/- 97,067	+/- 97,067
GB Pound	+/-5%	+/-181,554	+/- 181,554
Euro	+/-5%	+/-1,013,027	+/-1,013,027

2019	Change in currency	Effect on Profit/loss	Effect on Equity
		GH¢	GH¢
US Dollar	+/-5%	+/-243,054	+/-243,054
GB Pound	+/-5%	+/-126,265	+/-126,265
Euro	+/-5%	+/-165,750	+/-165,750

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.

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

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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 categories 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 minimize credit risk, the Bank has tasked its credit management committee to develop and maintain the Bank's credit risk grading to categories 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;
- 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

NOTES TO THE FINANCIAL STATEMENTS
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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.

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.

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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.

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 customers at amortised cost	Loans and advances at amortised cost	12
Debt investment securities at amortised cost	Investment securities	11
Debt investment securities at FVTOCI	Investment securities	N/A
Other assets	Other assets	16
Loan commitments and financial	-	N/A
guarantee contracts	Provisions	N/A

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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	**2020**	**2019**
Concentration by sector	**GH¢**	GH¢
Northern Savanna Sector	**5,560,472**	7,036,258
Upper Western Sector	**5,308,587**	6,295,851
Upper Eastern Sector	**331,275**	1,174,051
Middle Sector	**11,525,503**	25,151,301
Coastal Middle Sector	**4,229,881**	4,723,564
Coastal Eastern Sector	**6,348,951**	6,909,578
Coastal Western Sector	**4,245,658**	4,554,622
Total	**37,550,327**	55,845,225

Interbank placements	**2020**	2019
	GH¢	GH¢
Interbank placements	**52,000,000**	20,000,000
Total	**52,000,000**	20,000,000

	2020 GHS	**2019 GHS**
Debt investment securities at amortised cost		
Sovereign	**418,870,144**	258,289,607
Total	**418,870,144**	258,289,607
Concentration by region		
Middle East and Africa	418,870,144	258,289,607
Total	**418,870,144**	258,289,607

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.

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					Year Ended 31 Dec. 2020
	Stage 1	Stage 2	Stage 3		
Loans and advances at amortised cost	**12-month ECL GHS**	**Lifetime ECL GHS**	**Lifetime ECL GHS**	**POCI GHS**	**Total GHS**
Grades 1-3: Low to fair risk	30,387,637	-		-	30,387,637
Grades 4-6 Monitoring	-	-	-	-	-
Grades 7-8: Substandard	-	-	7,162,690	-	7,162,690
Grade 9: Doubtful	-	-	-	-	-
Grade 10: Impaired	-	-	-	-	-
Total gross carrying amount	30,387,637	-	7,162,690	-	37,550,327
Loss allowance	**1,082,464**	**-**	**6,633,671**	**-**	**7,716,135**

					Year Ended 31 Dec. 2020
	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**
Grades 1-3: Low to fair risk	52,000,000	-	-	-	52,000,000
Grades 4-6 Monitoring	-	-	-	-	-
Grades 7-8: Substandard	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-
Grade 10: Impaired	-	-	-	-	-
Total gross carrying amount	52,000,000	-	-	-	52,000,000
Loss allowance	**364,000**	**-**	**-**	**-**	**364,000**

					Year Ended 31 Dec. 2020
	Stage 1	Stage 2	Stage 3		
Debt investment securities at Amortised cost	**12-month ECL GHS**	**Lifetime ECL GHS**	**Lifetime ECL GHS**	**POCI GHS**	**Total GHS**
Grades 1-3: Low to fair risk	418,870,144	-	-	-	418,870,144
Grades 4-6 Monitoring	-	-	-	-	-
Grades 7-8: Substandard	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-
Grade 10: Impaired	-	-	-	-	-
Total carrying amount	418,870,144	-	-	-	418,870,144
Loss allowance	**-**	**-**	**-**	**-**	**-**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December 2020 GHS	Year ended 31 December 2019 GHS
Impact on adoption of IFRS 9	**7,716,135**	3,516,641
Interbank placements at amortised cost	**364,000**	140,000
	8,080,135	3,656,641

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

	Total (GHS)
Loss allowance as at 1 January, 2020	**3,516,641**
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	**4,199,494**
Decreases due to change in credit risk	-
Write-offs	-
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, 2020	**7,716,135**

Interbank placements at amortised cost	**Total (GHS)**
Loss allowance as at 1 January 2020	**140,000**
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	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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	224,001
Financial assets that have been derecognised	-
Changes in models/risk parameters	-
Foreign exchange and other movements	-
Loss allowance as at 31 December,2020	**364,001**

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:

	Total (GHS)
Loss allowance as at 1 January 2020	**3,516,641**
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	4,199,494
Decreases due to change in credit risk	-
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	-
Loss allowance as at 31 December 2020	**7,716,135**
Gross carrying amount as at 31 December 2020	**37,550,326**
Net carrying amount as at 31 December 2020	**29,834,191**

	Total (GHS)
Interbank placement at amortised Cost	
Loss allowance as at 1 January 2020	**140,000**
Changes in the gross carrying amount	**-**

NOTES TO THE FINANCIAL STATEMENTS
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--Transfer to stage 1	-
--Transfer to stage 2	-
--Transfer to stage 3	-
--Increases due to change in credit risk	-
--Changes due to modifications that did not result in derecognition	-
New financial assets originated or purchased	-
Financial assets that have been derecognised	224,001
Write off	-
Other changes	-
Loss allowance as at 31 December 2020	364,001
Gross carrying amount as at 31 December 2020	**52,000,000**
Net carrying amount as at 31 December 2020	**51,637,599**

	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 1 January 2020	-	-	-	-	-
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 2020	418,870,144	-	-	-	418,870,144
Loss allowance as at 31 December 2020	-	-	-	-	-
Net carrying amount as at 31 December 2020	418,870,144	-	-	-	418,870,144

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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.

The table below represents the maximum credit risk exposure to the Bank as at December 31, 2020:

	2020	2019
	GH¢	GH¢
Past due and impaired	**7,162,690**	2,413,872
Past due but not impaired	**-**	-
Neither past due nor impaired	**30,387,367**	53,431,352
Fair value of collateral	**(519,287)**	(63,437)
	37,030,770	55,781,787
Less :		
Impairment	**4,198,497**	1,404,067
Net amounts	**32,832,273**	54,377,720

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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.
Compliance forms an integral part of the Bank's culture and business activities. 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 activities of compliance function are subject to independent review by the Internal Control Department which keeps the Compliance Officer informed of any audit findings relating to compliance.

Reputational Risk:

This is the risk of loss arising from adverse publicity which result in negative public perception of the Bank. 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.

The Board of Directors, through the Management have assigned the responsibility of safeguarding the Bank's reputation to the Business Development, Marketing and Research (BDRM) Department. Every member of staff is also entreated to carry and portray a good image of the Bank. There is 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 Rural and Community Banks (RCBs) to address issues where necessary.

Concentration Risk

The key source of funding are from the RCBs 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, 2019 and December 31, 2018 were as follows:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
Deposits from Rural and Community Banks	**GH¢**	GH¢
Reserved Placement-5% of RCBs' total deposit	**254,747,703**	187,176,154
RCBs' Clearing Account	**98,234,904**	96,816,942
ACOD	**143,960,724**	93,032,500
Short-Term Borrowing	**14,850,000**	36,170,000
Total	**511,763,331**	413,195,596
Total Liabilities	**695,073,082**	529,387,958
Concentration Ratio	**74%**	78%

33. 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 2020 and 31 December 2019, 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 2020 and 31 December 2019, the Bank did not hold any level 2 financial asset and/or liabilities.

- 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.

The bank's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the bank's land and buildings as at 31 December 2019 was performed by Property Solutions Model, independent valuers not related to the bank. Property Solutions Model is a members of the Ghana Institute of Surveyor, and has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

The fair value of the land was determined based on the market comparable approach that reflects the cost to a market participant to construct assets of comparable utility and age. The valuation technique involves an analysis of current construction cost data obtained from A.E.S.L and other construction companies for a three-storey structure of similar characteristics and finishes excluding cost of finance and external works. The land valuation has been based on analysis

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of recent land sale transactions within the neighbourhood at a going rate of US$ 3.5m. The building has been value with the adopted rate of US$550/m2 for the main building and US$250/m2 for the security post and pump room.

There has been no valuation of assets during the year.

The following table sets out land and buildings measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
	GH¢	GH¢	GH¢	GH¢
Land	-	-	18,181,800	18,181,800
Building	-	-	11,164,869	11,164,869
	-	**-**	**29,346,669**	**29,346,669**

Buildings valuation in 2019 has been recorded net of an accumulated depreciation of GH¢ 1,267,063.

34. Capital Management

Bank of Ghana (BoG) requires banks to implement the Capital Requirements Directive (CRD) issued in June 2018. The implementation of the directive commenced from 1 July 2018 with an effective compliance date of 1 January 2019.

The Capital Requirement Directive (CRD) has four main parts. The first part provides principles for capital management and the constituents of eligible regulatory capital. The second, third and fourth parts provide guidance on the role of the board in the management of credit, operational and market risk respectively. Guidelines for the computation of credit risk weighted asset, operational and market risk capital charges are also detailed in the CRD document. Capital adequacy and the use of regulatory capital are monitored daily by management.

The required information is filed with Bank of Ghana on a monthly basis. Bank of Ghana requires each banks to:

(a) hold a minimum regulatory capital of GH¢400 million; and

(b) maintain a ratio of total regulatory capital to risk-weighted assets above a required minimum of 13%.

The Bank's regulatory capital is divided into two tiers:

Common Equity Tier 1 capital: includes ordinary (common) shares issued by the bank that meet the criteria for classification as ordinary shares for regulatory purposes, retained earnings, statutory reserves and disclosed reserves after deducting specified assets such as intangibles and certain classes of investments.

Common Equity Tier 2 capital: includes qualifying subordinated loan capital, property revaluation reserves and unrealised gains arising on the fair valuation of instruments held as hold to collect and sell.

The risk-weighted assets are measured using the standardised approach to reflect an estimate of credit, market and operational risks associated with each counterparty for on and off-balance sheet exposures.

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with Bank of Ghana Capital Requirements Directive (CRD or 'the Directive') issued under Section 92(1) of the Banks and Specialised Deposit-taking Institutions Act 2016 (Act 930) ('the BSDI Act'), a minimum ratio of 13% is to be maintained.

The table below summarises the composition of regulatory capital and ratios of the Bank based on the CRD guidelines.

NOTES TO THE FINANCIAL STATEMENTS
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Tier 1 Capital	**2020 GH¢**	**2020 GH¢**
Ordinary share capital	**9,194,390**	9,194,390
Statutory reserve	**12,784,866**	12,113,112
Retained earnings	**12,870,341**	8,010,107
Tier 1 capital before adjustments	**34,849,597**	29,317,609
Less: Regulatory Adjustment	**4,809,401**	3,659,099
Total tier 1 capital	**30,040,196**	25,658,510
Tier 2 Capital		
Other reserves	**4,464,879**	3,708,300
Total	**34,505,075**	29,366,810
Risk Profile		
Total credit risk-weighted asset	**119,342,934**	96,588,470
Total operational risk-weighted asset	**100,234,811**	86,747,424
Total market risk-weighted asset	**3,666,185**	2,079,117
Total risk weighted asset	**223,243,930**	185,415,011
Capital adequacy ratio	**15.46%**	15.84%

The tables below summarises the composition of regulatory capital adequacy ratios of the Bank as at 31 December 2020 in line with the capital adequacy requirements of Section 23(1) of the Banking Act, 2004 (Act 673).

Fifty percent (50%) of Revaluation reserves arising from revaluation of land & building (capped at 2%) has also been included in the computation of the CAR.

35. Long term borrowing

Long term borrowing represents Oiko Credit facility of GH¢9.0 million at a rate of 17.70% for on- lending to RCBs.

The Bank also contracted a KfW loan facility of GH¢11.6 million at the rate of 6% per annum through Ghana Interbank Payments and Settlement System (GhIPSS) for four years tenor for the acquisition of E-zwich cards and Automated Teller Machines (ATMs) on behalf of the RCBs. Repayment of both principal and interest are on schedule.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

36. Value Added Statement for the Year Ended 31 December 2020

Item	2020	2019
	GH¢	GH¢
Interest earned & other operating income	87,438,053	66,800,071
Direct Cost of Services	(23,153,411)	(14,221,963)
Value added by banking services	64,284,642	52,578,108
Non-Banking Income	10,984,468	12,387,282
Impairments	(4,423,496)	(1,113,945)
Value Added	70,845,614	63,851,445
Distributed as follows:-To Employees:		
Directors (Without Executives)	(568,050)	(689,509)
Other Employees	(37,498,688)	(35,844,870)
Post-retirement benefits	(284,666)	(303,576)
To Government:		
Income tax credit/(expense)	(322,222)	(1,797,451)
To Providers of Capital:		
Dividend to shareholders	-	-
To Expansion & Growth:		
Operating Lease	(723,031)	(660,881)
Depreciation & Amortisation	(4,715,101)	(4,667,564)
Suppliers of goods & services	(21,179,301)	(20,675,344)
Retained Earnings	5,554,553	(787,750)

10.

PROXY FORM

A virtual **ANNUAL GENERAL MEETING** of the ARB Apex Bank Limited to be held on Saturday, June 12, 2021 at 10:00 am prompt.

We....Directors...... being members of .... Rural/ Community Bank Limited hereby appoint Dr./Hon./Mr./Mrs./Ms./Rev.. with a duly signed proxy form to attend and vote for us and on our behalf at the Annual General Meeting of the Bank to be held on June 12, 2021.

Dated this ....day of 2021

....
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 and adopt the Financial Statements of the Company (together with the reports of the Directors and the External Auditors of the Company) for the year ended 31st December, 2020.		
2. To approve the Directors' fees.		
3. To authorize the Directors to determine the remuneration of the Auditors.		
4. To increase the Bank's capitalisation by converting 2% of deposits of members to capital.		
5. To request for a loan of GH¢32 million from the Bank of Ghana to purchase twelve (12) Armoured Bullion Vehicles.		
6. To change the name of the Company from ARB Apex Bank Limited to ARB Apex Bank Public Limited Company ("PLC") in compliance with Section 21(1)(b) of the Companies Act, 2019 (Act 992).		
7. To authorise the Company to effect all the changes in the Company's Constitution to make it compliant with the new Companies Act, 2019 (Act 992)		

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

NOTES

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