ARB APEX BANK LIMITED

FINANCIAL STATEMENTS
31 DECEMBER 2014

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GENERAL INFORMATION

BOARD OF DIRECTORS

Mr. Francis Kwami Akoto	- Non Executive Chairman
Mr. Kwadwo Aye Kusi	- Managing Director
Nana Owusu Sarfo Anwona II	- Non Executive Director
Dr Edward Yaw Peprah-Agyemang	- Non Executive Member
Mr. Robert Kwabena Nachindi	- Non Executive Member
Ms. Yvonne Odoley Quansah	- Non Executive Member
Mr. James Kwame Otieku	- Non Executive Member
Mr. Ebenezer Djaney Djagbletey	- Non Executive Member
Mr. John Techie-Mensah	- Non Executive Member
Alhaji Fusheini Seidu	- Non Executive Member
Mr. Dickson Osei-Asibey	- Non Executive Member
Mr. A. K. Forkah	- Non Executive Member
Osagyefo Amanfo Edu VI	- Non Executive Member

REGISTERED OFFICE

P.O. Box GP 20321
Accra
No. 5, 9th Road
Gamel Abdul Nasser Avenue
South Ridge, Accra

SECRETARY

Curtis William Brantuo
ARB Apex Bank Ltd.

AUDITORS

Ernst & Young
Chartered Accountants
G15, White Avenue
P. O. Box KA 16009, Airport
Airport Residential Area
Accra

BANKERS

Bank of Ghana
Ghana International Bank

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

The directors present their report together with the audited financial statements of the ARB Apex Bank Ltd for the year ended 31 December 2014.

Statement of Directors' Responsibility

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

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

Nature of Business

The ARB Apex Bank Limited is a Public Limited Liability Company incorporated under the Companies Act 1963 (Act 179) and owned by the Rural and Community Banks in Ghana. It has been licensed by the Bank of Ghana, through the ARB Apex Bank Ltd Regulation 2006 (LI1825), to provide support services to the Rural and Community Banks (RCBs).

Results of operations

The Bank made a total comprehensive income of GH¢5,506,162 as compared to GH¢8,451,271 in 2013 as shown in the attached financial statements. The Bank is in its thirteenth year of operations.

Auditors

The auditors, Ernst & Young, Chartered Accountants, having expressed their willingness, continue in office pursuant to Section 134 (5) of the Companies Act, 1963 (Act 179).

Signed on behalf of the Board by:

Director	Director
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Date	Date

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ARB APEX BANK LIMITED

Report on the financial statements

We have audited the accompanying financial statements of the ARB Apex Bank Limited, which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738) and the Companies Act, 1963, (Act 179) and for such internal controls 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ARB Apex Bank Limited as at 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

Report on other legal and regulatory requirements

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

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii. In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us; and
iii. The statement of financial position (statement of financial position) and the profit and loss account (income statement section of the statement of comprehensive income) of the company are in agreement with the books of account.

The Banking Act, 2004 (Act 673), Section 78 (2), requires that we state certain matters in our report. We hereby state that;

i. The accounts give a true and fair view of the state of affairs of the bank and its results for the period under review;
ii. We were able to obtain all the information and explanation required for the efficient performance of our duties as auditors;
iii. the banks' transactions are within its powers; and
iv. the bank has generally complied with the provisions in the Banking Act, 2004 (Act 673) and the Banking (Amendment) Act, 2007 (Act 738).

Signed by Pamela Des Bordes (ICAG\P\1329)
For and on behalf of Ernst & Young (ICAG/F/2015/126)
Chartered Accountants
Accra, Ghana

Date:

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014	2013
		GH¢	GH¢
Interest and similar Income	3	32,676,387	27,677,784
Interest and similar expense	4	(4,835,911)	(4,277,653)
Net interest income		27,840,476	23,400,131
Fees & commission income		7,113,804	5,471,680
Fees & commission expense		(1,706,699)	(1,037,164)
Net fee and commission income	5	5,407,105	4,434,516
Net Trading income		33,247,581	27,834,647
Other operating income	6	11,120,935	5,303,953
Total operating income		44,368,516	33,138,600
Impairment (loss)/gain	7	(5,620,722)	(173,271)
Net operating Income		38,747,794	32,965,329
Personnel expenses	8	(17,302,292)	(16,609,181)
Depreciation	17	(3,112,259)	(1,081,286)
Amortization of Intangible asset	17(c)	(880,712)	(15,924)
Other operating expenses	9	(11,882,921)	(6,589,087)
Profit before tax		5,569,610	8,669,851
Tax	11	-	-
Profit for the year		5,569,610	8,669,851
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Loss on post-retirement medical benefits (net of tax)		(63,448)	(218,580)
Total comprehensive income for the year		5,506,162	8,451,271
Profit for the year attributable to Owners of the bank		5,569,610	8,669,851
Earnings per share			
Basic earnings per share		0.55	0.86

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	2014	2013
Assets		GH¢	GH¢
Cash and balances with central bank	12	**37,854,001**	24,832,690
Cash due from banks	13	**93,314,074**	67,680,319
Loans and advances to customers	14	**29,173,499**	40,199,804
Financial Instruments – Held to maturity	15	**64,186,629**	60,286,940
Other assets	16	**16,750,580**	10,150,748
Deferred tax asset	10	**24,902**	19,385
Property, plant and equipment	17	**11,342,605**	14,644,996
Intangible asset	17(c)	**3,506,922**	63,698
Assets held for sale	18	**271,288**	66,269
Total Assets		**256,424,500**	217,944,849
Total liabilities and equity			
Liabilities			
Due to customers	19	**199,172,156**	153,432,841
Other liabilities	20	**16,539,418**	28,151,546
Government grant	21	**2,807,506**	2,918,490
Interest payable and unearned discount	22	**1,024,060**	591,160
Total liabilities		**219,543,140**	185,094,037
Equity			
Issued capital	27	**9,019,690**	8,934,340
Statutory reserves	28	**11,044,607**	9,652,205
Regulatory credit risk reserves	29	**83,662**	327,107
Other Reserves		**(268,974)**	(205,526)
Retained earnings		**17,002,375**	14,143,686
Total Equity		**36,881,360**	32,850,812
Total Liabilities and Equity		**256,424,500**	217,944,849

ARB APEX BANK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Stated Capital GH¢	Retained earnings GH¢	Regulatory credit risk reserves GH¢	Other Reserves GH¢	Statutory reserves GH¢	Total GH¢
Balance as of 1 January 2014	8,934,340	14,142,686	327,107	(205,526)	9,652,205	**32,850,812**
Profit for the year	-	5,569,610	-	-	-	**5,569,610**
Actuarial loss	-	-	-	(63,448)	-	**(63,448)**
Total comprehensive income	-	5,569,610	-	(63,448)		**5,506,162**
Dividend paid	-	(1,560,964)	-	-	-	**(1,560,964)**
Transfer to regulatory reserves	-	(1,393,978)	-	-	1,393,978	**-**
Reversal from regulatory credit risk reserve	-	243,445	(243,445)			**-**
Shares Issued	85,350	-	-	-	-	**85,350**
						-
Balance as of 31 December 2014	**9,019,690**	**17,002,375**	**83,662**	**(268,974)**	**11,044,608**	**36,881,360**

	Stated capital GH¢	Retained earnings GH¢	Regulatory credit risk reserve GH¢	Other reserve GH¢	Statutory reserve GH¢	Total GH¢
Balance as of 1 January 2013	8,910,645	9,349,883	48,561	13,054	7,484,742	25,806,885
Profit for the year	-	8,669,851	-	-	-	8,669,851
Actuarial loss	-	-	-	(218,580)	-	(218,580)
Total comprehensive income	-	8,669,851	-	(218,580)	-	(8451,271)
Dividend paid	-	(1,431,039)	-	-	-	(1,431,039)
Transfer to regulatory reserves	-	(2,167,463)	-	-	2,167,463	-
Transfer to regulatory credit risk reserve	-	(278,546)	278,546	-	-	-
Shares Issued	23,695	-	-	-	-	23,695
Balance as of 31 December 2013	8,934,340	14,142,686	327,107	(205,526)	9,652,205	32,850,812

STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 DECEMBER 2014

	Note	2014 GH¢	2013 GH¢
OPERATING ACTIVITIES			
Profit before taxation		**5,569,610**	8,669,851
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Impairment loss		**5,620,722**	173,271
Depreciation		**3,112,259**	1,081,286
Amortisation of intangible asset		**880,712**	15,924
Notional Interest income		**(328,681)**	(245,387)
Loss on disposal of property, plant and equipment		**6,582**	27,842
Capital grant amortisation		**(110,984)**	(114,068)
Write off of asset held for sale		**66,269**	-
Exchange gains		**(900,237)**	(429,792)
		13,916,252	9,178,927
Working capital adjustments:			
Increase in advances and loans		**5,734,264**	(27,936,334)
Increase in other assets		**(6,599,832)**	(2,616,667)
Increase/decrease in interest payable and unearned discount		**432,900**	(407,922)
Increase in due to customers		**45,739,315**	18,740,633
Increase in other liabilities		**(11,681,093)**	9,244,738
Net cash flows from operating activities		**47,541,806**	6,203,375
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**72,370**	9,024
Sales/(purchase) of held to maturity investments		**(3,899,689)**	2,295,478
Purchase of property, plant and equipment		**(4,462,062)**	(8,927,136)
Purchase of intangible assets		**(21,982)**	(79,622)
Net cash flows used in investing activities		**(8,311,363)**	(6,622,634)
FINANCING ACTIVITIES			
Dividend paid to equity holders		**(1,560,964)**	(1,431,039)
Proceed from share issue		**85,350**	23,695
Receipt from government grant		**-**	39,695
Net cash flows used in financing activities		**(1,475,614)**	(1,367,649)
(Decrease)/Increase in cash and cash equivalents		**37,754,829**	(1,786,908)
Cash and cash equivalents at 1 January		**92,513,009**	93,870,125
Exchange difference		**900,237**	429,792
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	25	**131,168,075**	92,513,009

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2014

1. CORPORATE INFORMATION

1.1 ACTIVITIES

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

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

2.0 BASIS OF PREPARATION

Presentation of financial statements

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

The financial statements have been prepared in Ghana Cedi (GHC) and under the historical cost convention (unless otherwise stated).

Statement of compliance

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

2.1 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Going concern

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

2.1 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D)

Impairment losses on loans and advances

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

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

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

Post-employment medical benefits

The present value of the post-employment medical benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any change in these assumptions will impact the carrying amount of post-employment medical benefit obligations.

The assumptions used in determining the net cost for medical benefits include the discount rate. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-employment medical benefit obligations. In determining the appropriate discount rate, the Bank considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. See note 23 for the post-employment medical benefit assumptions.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The bank has no assets that have been fair valued.

Property, plant and equipment and Intangible asset

Critical judgments are utilized in determining amortization rates and useful lives of these assets and in calculating the amount of interest to capitalize against projects in progress at the end of the period is described in more detail in Note 17.

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:

Office equipment	20%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2014

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

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

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

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

Residual values, useful lives and methods of depreciation for property, plant and equipment are reviewed, and adjusted prospectively if appropriate, at each financial year end.
The amount to be capitalized in respect of rented property is all cost incurred in improving and adapting the property to the Bank's requirements. Where there is reasonable doubt on the length of occupancy, depreciation is based on the length of the tenancy agreement.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.2 Government grants

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

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

2.2.3 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.

The source of the Bank's exchange rates is the Ghana Association of Bankers as published on the Bank of Ghana Website.

2.2.4 Employee benefits, pension and post-employment

Short-term employee benefits

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

Leave benefits

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

Social security contributions

The Bank contributes to the defined contribution schemes (the Social Security Fund) on behalf of employees. This is a national pension scheme under which the Bank pays 13% of qualifying employees' basic monthly salaries to a state managed Social Security Fund for the benefit of the employees. All employer contributions are charged to profit or loss as incurred and included under personnel expenses.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.5. 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 OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the bank recognises restructuring-related costs

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

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

Other employee benefits - loans at concessionary rate

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

2.2.6. 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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.6. Revenue recognition (continued)

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 brokerage fees on services provided to its customers.

(iii) Fee income from providing services

Brokerage fees income arising from brokerage of government bonds and bills for a third party. Income from such as the arrangement of the purchase of investment securities are recognised on completion of the underlying transaction.

Fee income for rediscounting of bonds and treasury bills are also recognised on completion of the service.

2.2.7 Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

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

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

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

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

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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.7 Financial instruments – initial recognition and subsequent measurement

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

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

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

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

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

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. The Bank has not designated any financial instrument as fair value through profit or loss.

(v) Available–for–sale financial investments

Available–for–sale investments include equity and debt securities. Equity investments classified as available–for – sale are those which are neither classified as held–for–trading nor designated at fair value through profit or loss.

After initial measurement, available–for–sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the 'Available–for-sale reserve

The Bank has not designated any of its financial instruments as available–for–sale.

(vi) Held–to–maturity financial investments

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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.7 Financial instruments – initial recognition and subsequent measurement

(vii) Loans and advances

Loans and advances to customers and due from bank includes loans and advances to customers originated by the company which are not either classified as held for trading or designated at fair value. Loans and advances are recognised when cash is advanced to the borrower. They are derecognised either when borrowers repay their obligation or are written off.

They are initially recognised at fair value plus any directly attributable transaction cost and are subsequently measured at amortised cost using the effective interest rate method less impairment loss.

2.2.8. De-recognition of financial assets and financial liabilities

(i) Financial assets

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

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

The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement; and either the Bank has transferred substantially all the risks and rewards of the asset, or the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

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

(ii) Financial liabilities

A financial liability includes due to customers, other liabilities and interest payable are derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability.

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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.9 Impairment of financial assets

(i) Framework for impairing financial assets

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

(ii) Impairment of financial assets

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

(iii) Financial assets carried at amortised cost

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

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

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

(i) Financial assets carried at amortised cost

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

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Impairment of available-for-sale investments

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

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

Determining fair value

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

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

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

(iii) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.10 Provisions

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

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

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

{a} Loans and advances

To cater for any shortfall between the Bank of Ghana's credit loss provision requirements and loans and advances impairments based on IFRS principles, a transfer is made from distributable to non-distributable reserves in the statement of changes in equity, being the regulatory general risk reserve. The non-distributable regulatory general credit risk reserve ensures that minimum regulatory provisioning requirements as established by the Bank of Ghana are maintained.

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.

2.2.12 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.13 Standards issued but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Bank is an existing IFRS preparer, this standard would not apply.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Bank, since none of the entities within the Bank has defined benefit plans with contributions from employees or third parties.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.13 Standards issued but not yet effective (Continued)

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Bank. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

► A performance condition must contain a service condition
► A performance target must be met while the counterparty is rendering service
► A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
► A performance condition may be a market or non-market condition
► If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

► An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
► The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2014

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.13 Standards issued but not yet effective (Continued)

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Bank. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
► Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
► This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.13 Standards issued but not yet effective (Continued)

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank given that the Bank has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Bank's consolidated financial statements.

IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. The amendments are Effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.13 Standards issued but not yet effective (Continued)

The amendments to IFRS 10 and IAS 28 provide helpful clarifications that will assist preparers in applying the standards more consistently. However, it may still be difficult to identify investment entities in practice when they are part of a multi-layered group structure. These amendments are not expected to have any impact to the Bank.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The amendments are Effective for annual periods beginning on or after 1 January 2016. The amendments must be applied prospectively. Early application is permitted and must be disclosed.

The amendments will effectively eliminate diversity in practice and give preparers a consistent set of principles to apply for such transactions. However, the application of the definition of a business is judgemental and entities need to consider the definition carefully in such transactions

IAS 1 Disclosure Initiative – Amendments to IAS 1

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. The amendments are Effective for annual periods beginning on or after 1 January 2016. Early application is permitted and entities do not need to disclose that fact because the Board considers these amendments to be clarifications that do not affect an entity's accounting policies or accounting estimates. The bank has not early adopted this presentation.

2.14 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

IAS 8.28 Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Bank.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Bank since we do not have any enforceable netting agreements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Bank as the Bank has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Bank as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Bank.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Bank, since the Bank is an existing IFRS preparer. The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

2.14 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Bank is an existing IFRS preparer, this standard would not apply.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

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3. INTEREST AND SIMILAR INCOME

	2014	2013
	GH¢	GH¢
Cash and short-term funds	10,255,355	8,982,780
Loans and advances to rural banks	7,449,550	3,946,305
Financial Investments - Held to Maturity	14,685,984	14,534,277
Loan and advances to staff	285,498	214,422
	32,676,387	27,677,784

4. INTEREST AND SIMILAR EXPENSE

	2014	2013
	GH¢	GH¢
Clearing balances	279,975	392,108
Fixed and time Apex certificate of Deposit	3,270,329	2,096,038
Borrowings-Inter-Bank	397,032	234,994
Repo (Rural community banks)	842,316	1,497,420
Staff balances	46,259	57,093
	4,835,911	4,277,653

5. NET FEES AND COMMISSIONS INCOME

	2014	2013
	GH¢	GH¢
Apex link and money transfers	978,310	1,012,104
Other Banks Funds Transfer	282	207
Western Union/ Foreign Transfers	1,432,227	1,013,954
Micro Finance/Managed Funds	310,794	463,442
Specie Fees	61,126	45,286
Brokerage Fees	2,259,794	1,481,517
Commission on clearing	255,538	291,820
Training Fees	800,600	318,300
Commission on MICR Cheque	721,876	747,726
Other commissions	100,999	97,324
SMS Commission	192,258	-
	7,113,804	5,471,680
Less Fees and commission expenses		
Brokerage fees	(1,706,699)	(1,037,164)
Net fees and commission income	5,407,105	4,434,516

6 OTHER OPERATING INCOME

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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	2014	2013
	GH¢	GH¢
Exchange gains	900,237	429,792
Capital Grant Amortisation	110,984	114,068
Operating Grant - staff costs	-	38,684
Notional Interest	328,681	245,387
Loss on disposal	(6,582)	(27,842)
Gains from foreign currency dealings	9,278,360	4,003,550
Other income	509,255	500,314
	11,120,935	5,303,953

7. IMPAIRMENT LOSS

	2014	2013
	GH¢	GH¢
Loans to Rural community Bank	(5,620,722)	(173,271)
	(5,620,722)	(173,271)

8. PERSONNEL EXPENSES

	2014	2013
	GH¢	GH¢
Wages and Salaries	11,254,508	11,413,132
Social security cost	2,015,160	1,740,787
Other staff allowances	4032,624	3,455,262
	17,302,292	16,609,181

9. OTHER OPERATING EXPENSE

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2014

	2014 GH¢	2013 GH¢
Professional fees	408,944	131,344
Directors' fees & allowance	625,754	432,472
Utilities and cleaning	1,193,117	720,682
Audit fees	80,000	50,600
Staff training	539,566	291,269
Rental charges payable under operating leases	467,617	382,448
Training of rural banks	782,517	391,067
Repairs and maintenance	681,678	582,685
Meeting and conferencing	436,706	243,263
Travels (Local and foreign)	809,181	597,790
Advertising and marketing	767,458	384,000
Specie	49,206	48,974
Communication	336,811	286,234
Insurance	184,535	187,171
Printing/ Stationery	196,789	163,500
Other operating costs	1,555,519	727,669
Fuel and Lubricants	409,605	236,874
Vehicle Maintenance Costs	181,167	152,165
Subscription /License and Dues	147,142	82,960
Donations	116,104	293,418
New Products Expenses	46,049	27,993
Clothing & Image Enhancement	1,298,613	-
Outsourced Service	385,535	-
Clearing Houses Expenses	1,346	2,388
Bank Charges	17,992	18,771
GIS/ Swift Charges	69,977	42,476
Postage	83,663	80,651
Overs and shorts in till	10,330	30,223
	11,882,921	6,589,087

10. TAXATION

The Bank is on tax holiday until 2014 year of assessment.

10a. DEFERRED TAX

	2014 GH¢	2013 GH¢
Opening balance (assets)/liabilities	(19,385)	4,351
Tax (recovered)/expense to OCI	(5,517)	(23,736)
	(24,902)	(19,385)

11. EARNINGS PER SHARE

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2014

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

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

	2014	2013
Net profit attributable to ordinary equity holders of the parent	3,805,489	8,669,851
Weighted average number of ordinary shares for basic earnings per share	10,185,589	10,116,198

	2014	2013
Earnings per share		
Basic earnings per share	0.37	0.86
Diluted earnings per share	0.37	0.86

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

12. CASH AND BALANCE WITH CENTRAL BANK

	2014	2013
	GH¢	GH¢
Cash on hand	16,859,045	16,401,242
Current account with the central bank	20,994,956	8,431,448
	37,854,001	24,832,690

There are no restrictions on these cash balances and the cash with central bank are non-interest bearing.

13. CASH DUE FROM BANKS

	2014	2013
	GH¢	GH¢
Placement with other banks	90,000,000	61,500,000
Uncleared cheques	373,813	4,426,184
Other amounts due	2,940,261	1,754,135
	93,314,074	67,680,319

There are no indications of impairment for cash and due from bank for 2014.
The interest rate on placement due to other bank ranged from 23%-28% in 2014

14. LOANS AND ADVANCES

	2014	2013
	GH¢	GH¢
On-lending	7,502,191	6,606,976
Capital projects	9,824,915	10,047,368
Micro finance	3,714,285	8,898,928
Short term Loan	7,714,805	9,165,239
Long term Loan	27,221	101,239
Rural Banks automobile loan	2,008,484	2,159,797

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2014

Staff Loan	**4,335,643**	3,553,581
Total	**35,127,544**	40,533,128
Less: Allowance for impairment losses	**(5,954,046)**	(333,324)
	29,173,498	40,199,804

All loans have been assessed on an individual Impairment allowance basis.
A reconciliation of the allowance for impairment losses for loans and advances is as follows:

	2014 GH¢	2013 GH¢
Balance as at 1 January	**333,324**	160,053
Charge for the year	**5,620,722**	173,271
Balance as at 31 December	**5,954,046**	333,324

15. HELD TO MATURITY

	2014 GH¢	2013 GH¢
Government debt securities	**49,051,740**	46,830,566
Treasury bills discounted	**4,634,889**	6,456,374
Treasury bills held to maturity	**10,500,000**	7,000,000
	64,186,629	60,286,940

The average interest rate on the held to maturity investments are as follows:
91-day Treasury bill rate 25.80%
182-day Treasury bill 26.40%
1-year Notes 22.5%
2-year Notes 23.0%

16. OTHER ASSETS

	2014 GH¢	2013 GH¢
Accrued income	**5,813,557**	4,198,683
Prepayments	**7,766,679**	1,971,470
Sundry receivables	**1,408,403**	3,980,596
	14,988,639	10,150,749

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2014

17(a) PROPERTY, PLANT AND EQUIPMENT – 2014

	Land	Buildings	Improvement on Leased Premises	Office Equipment	Furniture & Fittings	Motor Vehicle	Computer Hardware	Work In Progress	Total
Cost	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**	**GH¢**
As at 1/1/2014	1,370,298	3,409,702	1,417,806	2,221,274	499,297	2,466,130	1,977,194	7,762,361	21,124,062
Additions	-	-	-	229,741	106,443	120,436	755,905	3,249,537	4,462,062
Transfers	-	-	-	37,000			5,569,253	(5,606,253)	-
Transfer to asset held for sale	-	-	-	-	-	-	-	(271,288)	(271,288)
Transfer to Intangible assets					-	-	-	(4,301,954)	(4,301,954)
Disposal	-	-	-	(144,513)	(21,490)	(195,949)	(56,682)	-	(418,634)
Balance as at 31/12/14	1,370,298	3,409,702	1,417,806	2,343,502	584,250	2,390,617	8,245,670	832,403	20,594,248
Accumulated Depreciation									-
As at 1/1/2014	-	543,660	708,939	1,542,007	383,999	1,580,931	1,719,530	-	6,479,066
Charge for the year	-	68,239	95,898	270,527	52,263	387,446	2,237,886	-	3,112,259
Disposal	-	-	-	(103,598)	(15,893)	(163,507)	(56,685)	-	(339,683)
Balance as at 31/12/14	-	611,899	804,837	1,708,936	420,369	1,804,870	3,900,731	-	9,251,642
Carrying amount as at 31/12/14	1,370,298	2,797,803	612,969	634,566	163,881	585,747	4,344,939	832,403	11,342,606

17(b) PROPERTY, PLANT AND EQUIPMENT - 2013

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2014

	Land	Buildings	Improvement on leased premises	Office equipment	Furniture & fittings	Motor vehicles	Computer-hardware	Work in progress	Total
Cost		GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
As at 1/1/2013	1,370,298	3,397,349	1,417,806	1,797,637	493,972	1,944,347	1,592,702	474,286	12,488,397
Additions	-	12,353	-	475,557	32,410	654,627	384,492	7,288,075	8,847,514
Disposals	-	-	-	(51,920)	(27,085)	(132,844)	-	-	(211,849)
Balance as at 31/12/2013	1,370,298	3,409,702	1,417,806	2,221,274	499,297	2,466,130	1,977,194	7,762,361	21,124,062
Accumulated Depreciation									
As at 1/1/2013	-	475,419	609,760	1,337,189	342,827	1,289,201	1,518,367	-	5,572,763
Charge for the year	-	68,241	99,179	238,217	49,912	424,574	201,163	-	1,081,286
Disposals	-	-	-	(33,399)	(8,740)	(132,844)	-	-	(174,983)
Balance as at 31/12/2013	-	543,660	708,939	1,542,007	383,999	1,580,931	1,719,530	-	6,479,066
Carrying amount as of 31/12/2013	**1,370,298**	**2,866,042**	**708,867**	**679,267**	**115,298**	**885,199**	**257,664**	**7,762,361**	**14,644,996**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2014

17 (c) INTANGIBLE ASSETS

	2014	2013
Cost	GH¢	GH¢
As at 1/1/2014	178,948	99,326
Additions	21,982	79,622
Transfers from work in progress	4,301,954	-
Balance as at 31/12/14	4,502,884	178,948
Accumulated Amortisation		
As at 1/1/2014	115,250	99,326
Charge for the year	880,712	15,924
Balance as at 31/12/14	995,962	115,250
Carrying amount as at 31/12/14	3,506,922	63,698

18. ASSET HELD FOR SALE

	2014	2013
	GH¢	GH¢
Balance as at 1 January	66,269	66,269
Transfer from PPE	271,288	-
Write off	(66,269)	-
Balance as at 31 December	271,288	66,269

19. DUE TO CUSTOMERS

	2014	2013
	GH¢	GH¢
Due to rural banks	183,660,967	149,444,137
Staff balances	1,486,053	1,099,058
Other current accounts	14,025,136	2,889,646
	199,172,156	153,432,841

20. OTHER LIABILITIES

	2014	2013
	GH¢	GH¢
Accounts payable and sundry creditors	14,927,975	25,207,768
Regulatory charges	491,000	332,000
Accrued expenses	834,736	1,949,497
Retirement benefit obligation note 23	285,737	662,281
	16,539,448	28,151,546

These other liabilities are not interest bearing.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2014

21. GOVERNMENT GRANT

	2014	2013
	GH¢	GH¢
At 1 January	**2,918,490**	2,992,863
Received during the year	-	39,695
Released to profit and loss	**(110,984)**	(114,068)
At 31 December	**2,807,506**	2,918,490

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

22. INTEREST PAYABLE AND UNEARNED DISCOUNT

	2014	2013
	GH¢	GH¢
Accrued interest payable	**147,952**	175,500
Unearned discount	**876,108**	415,660
	1,024,060	591,160

23. POST-EMPLOYMENT BENEFIT PLAN

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.

	2014	2013
	GH¢	GH¢
Defined benefit obligation at 1 January	**662,281**	309,175
Past service costs	73,113	54,168
Interest cost	152,325	64,927
Current service cost	-	-
Benefit paid/ Cost Incurred	(30,179)	(8,305)
Actuarial (loss)/gains	68,965	242,316
Total liability as at 31 December	926,505	662,281
Less Plan assets for the year	(640,768)	-
	285,737	-

23. POST-EMPLOYMENT BENEFIT PLAN (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2014

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:

	2014	2013
	%	%
Discount rate	23	21
Salary percentile increase	15	15
Inflation on medical cost	16.5	11.5

The post-retirement medical benefit is assumed to be an average of GH¢6,800 inflated at16.5% annually. It has been assumed that the average life expectancy beyond the retirement age of 60 is 10 years for both men and women.

24. 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.

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 2014 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 of the Bank at 31 December 2014:

	2014	2013
	GH¢	GH¢
Wages and salaries	1,434,651	1,150,823
Allowances	692,003	587,198
	2,126,654	1,738,021

Total loan balances of key management staff stood at GH¢948,489 (2013: GH¢474,518)

25. CASH AND CASH EQUIVALENT

	Notes	2014	2013
		GH¢	GH¢
Cash and balance with central bank	12	37,854,001	24,832,690
Cash and due from banks	13	93,314,074	67,680,319
		131,168,075	92,513,009

26. DIVIDENDS PAID AND PROPOSED

	2014	2013
	GH¢	GH¢
Declared and paid during the year:	1,560,965	779,442
Dividend for 2013: GH¢0.1436 per share		

27. STATED CAPITAL

Authorized shares

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2014

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

Ordinary shares issued and fully paid

Stated Capital	**2014**	2013
	GH¢	GH¢
At 1 January	**8,934,340**	8,910,645
Shares issued during the year	**85,350**	23,695
At 31 December	**9,019,690**	8,934,340
No. of Shares	**10,185,589**	10,010,715

28. STATUTORY RESERVES

The statutory reserve fund is a non-distributable reserve required by Section 29 of the Banking Act, 2004 (Act 673). 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 25% of the Bank's profit after tax.

	2014	2013
	GH¢	GH¢
At 1 January	**9,652,205**	7,484,742
Transfer in 2014 (25% of profit)	**1,392,403**	2,167,463
At 31 December	**11,044,608**	9,652,205

29. REGULATORY 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 and contingent liabilities per the Bank of Ghana provisioning methodology.

30 OTHER RESERVE

These reserved is made up of actuarial gain or loss resulting from the actuarial valuation of the Bank’s Post employment medical benefits.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

31. FAIR VALUES

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are carried in the financial statements.

	Carrying amount 2014	Fair value	Carrying amount 2013	Fair value
	GH¢	GH¢	GH¢	GH¢
Financial assets				
Cash and balances with central bank	37,854,001	37,854,001	24,832,690	24,832,690
Due from banks	92,940,261	92,940,261	67,680,319	79,623,905
Loans and advances to customers	29,173,498	29,173,498	40,199,804	47,293,887
Financial Instrument – Held to maturity	64,186,629	64,186,629	60,286,940	78,031,824
Other assets	14,988,640	14,988,640	8,179,279	8,179,279
Total	239,143,029	239,143,029	201,179,032	237,961,585
Financial liabilities				
Due to customers / rural banks	199,172,156	199,172,156	153,432,841	154,982,668
Other Liabilities	16,539,418	16,539,418	28,151,546	28,435,905
Interest payable and unearned discount	1,024,060	1,024,060	591,160	597,131
Total	216,735,634	216,735,634	182,175,547	184,015,704

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

32. EVENTS AFTER THE REPORTING PERIOD

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

33. CONTINGENCIES

Contingent assets

There was no contingent asset as of 31 December 2014. (2013, nil)

Contingent liabilities

There was no contingent liability as of 31 December 2014. (2013, nil)

34. CAPITAL COMMITMENTS

There were no capital commitments as of 31 December 2014. (2013, nil)

35. FINANCIAL RISK MANAGEMENT WITHIN THE ARB APEX BANK

Risk is inherent in the Bank’s activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank’s continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to various operating risks.

The independent risk control process also includes business risks such as changes in the environment, technology and industry. The Bank's policy is to monitor those business risks through the Bank’s strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks. However, there are separate independent bodies responsible for managing and monitoring risks.

Board of directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

Supervisory board

The Supervisory Board has the responsibility to monitor the overall risk process within the Bank.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

35. FINANCIAL RISK MANAGEMENT WITHIN THE ARB APEX BANK (CONTINUED)

Risk management and reporting systems

Introduction:

The Bank's business involves taking on risks in a calculated manner and managing them professionally. Risk taking is, therefore, an integral part of the Bank's business and is defined as the probability of loss to earnings and/or capital arising from business activities of the Bank caused by internal and external factors.

The core functions of the Bank's risk management are to identify, measure, aggregate and manage its key risks effectively and allocate capital among its business operations appropriately. The Bank seeks to achieve the aforementioned objective by building and enhancing its risk management capabilities to facilitate the smooth growth of the Bank.
The Bank manages its risks and capital through a framework of principles, organizational strategies as well as measurements and monitoring processes (Risk Control and Self-Assessment) that are aligned with its business plans and objectives.

Risk Management Framework

The risk management framework comprises of comprehensive set of principles, standards, procedures and processes designed to identify, measure, monitor, mitigate and report significant risk exposure in a consistent and effective manner 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. The major risks the Bank is exposed to are Operational, Credit, Market, Liquidity and Reputational.

Risk Identification and Evaluation

The Bank employs the Risk and Control Self-Assessment (RCSA) approach in identifying the various risks it has to manage. RCSA is a systematic process which helps to identify risk events that could affect ARB Apex Bank's ability to achieve its objectives. It involves the use of business process mapping to identify the key steps in core activities and their respective key risk points.

The various identified risk are evaluated in terms of likelihood of occurrence and their probable impacts on the on Bank's reputation, financials, services to rural banks, human capital, processes and regulatory. The identified risks are rated as Low, Medium, Significant or High risk level.

Risk Governance

The Bank uses the 'three lines of defences' model to manage risk. The model ensures that risk management is performed at all levels of the Bank's operations. The 'three lines of defence' are constituted as follows:

- The first line of defence consist of business line managers who are deemed responsible for identifying and managing risks inherent in the respective Bank's products, processes, activities and systems which have been assigned to them.

35. FINANCIAL RISK MANAGEMENT WITHIN THE ARB APEX BANK (CONTINUED)

Risk management and reporting systems (Continued)

- The second line of defence exists in the Risk Management Department which complements the various risk activities of the business line managers and responsible for the design, maintenance and development of the Bank's risk management framework.

- The third line of defence is offered by the Internal Control Department. They are responsible for reviewing the functions of the first and second lines of defence at appropriate frequencies, assessing the robustness of control and mandating corrective actions or improvements where necessary. However, the External Auditors have a statutory duty to report its independent opinion on the Bank's financial statements to the Board of Directors, Shareholders and Bank of Ghana.

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 is responsible for monitoring the process of identification, measurement, management and control of all significant risks throughout the Bank. The sub-committee is supported by the Internal Control Department, which provides an independent assessment of the design, adequacy, application and effectiveness of the Bank's internal control procedures.

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

The Asset and Liability Management Committee (ALMCO) is a management committee responsible for managing the risk inherent in the Bank's Statement of Financial Position and interest rates. It is charged with ensuring that there is adequate capital for the Bank's operations by monitoring the maturity of the Bank's assets and liabilities with the aim of sustaining the Bank's profitability and for that matter, the entire operations.

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

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

35. FINANCIAL RISK MANAGEMENT WITHIN THE ARB APEX BANK (CONTINUED)

Risk management and reporting systems (Continued)

Business units are represented by a designated Operational Risk Champions who serve as contact person 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 (i.e. seek, accept and tolerate) in order to achieve its strategic objectives. Communication and enforcing of risk appetite and tone from the top fosters a common understanding on what type of risks are acceptable and what levels are appropriate for the Bank's operations.
The Bank articulates its risk appetite via a combination of qualitative and quantitative statements to cover relevant risk areas.

Risk Documentations

The Bank's documents all significant risks in a risk register which in effect shows the risk profile of the Bank. Typical records kept includes risk index, risk description, risk level indicating likelihood and impact and risk ratings, related risk controls and risk owners.
The Bank also records the occurrence of all risk events in a Loss Event Database, a data table which contains records on operational loss-events (occurred and near misses) and the characteristics of the loss events.
The Bank also employs a Loss Event report forms to report risk incidences, recording the details of the event that occurred, providing analysis of the incidence e.g. causes, control failures, impact on the bank etc. and providing recommendations for improvement.

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

35. FINANCIAL RISK MANAGEMENT WITHIN THE ARB APEX BANK (CONTINUED)

Risk management and reporting systems (Continued)

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

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31 DECEMBER 2014

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.

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

Liquidity Risk

Liquidity represents the bank's ability to efficiently meet its due obligations and fund increases in asset requirements without incurring unacceptable losses. The Bank suffers funding liquidity risk when it is not able to meet its maturing obligations such as; withdrawal by RCBs, draw down on approved credit facilities to RCBs, payment of operational expenses so that the Bank is forced to sell assets at deep discounts or borrow at a highly excessive cost, above its normal cost of doing business.

35. FINANCIAL RISK MANAGEMENT WITHIN THE ARB APEX BANK (CONTINUED)

Risk management and reporting systems (Continued)

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

The liquidity risk management is governed by the Bank's liquidity policy whose responsibility lies with the Bank's Assets and Liability Management Committee (ALMCO) which is chaired by the Managing Director. The Treasury Unit under Finance Department carries out the liquidity policies and strategies developed by ALMCO. The Finance Department performs 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, 2014 and 2013 are shown below:

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35. FINANCIAL RISK MANAGEMENT WITHIN THE ARB APEX BANK (Continued)

Risk management and reporting systems (Continued)

MATURITY ANALYSIS OF ASSETS AND LIABILITIES IN CEDIS AS AT - 31 DEC 2014

ASSETS	Total	Less than 3 months	> 3 months< than 1 year	>1 year < 3 years	3 years and over
Cash and balance with central bank	37,854,001	37,854,001	-	-	-
Cash due from banks	93,314,074	78,314,074	15,000,000	-	
Loans and advances to customers	29,173,499	608,228	4,864,583	13,264,999	10,435,689
Financial Instruments-Held to maturity	66,752,315	41,753,172	16,393,100	8,606,043	-
Other assets	11,882,332	10,297,418	1,367,419	149,609	67,886
Total Assets	238,976,221	168,826,893	37,625,102	22,020,651	10,503,575
LIABILITIES					
Due to customers	199,172,156	80,525,035	-	43,656,241	74,990,880
Other liabilities	16,539,418	4,794,062	1,581,765	9,402,440	693,149
Interest payable and unearned discount	876,108	847,586	28,522	-	-
Total Liabilities	216,587,682	86,166,683	1,610,287	53,058,681	75,684,029
Net liquidity gap	22,388,539	82,660,210	36,014,815	(31,038,030)	(65,180,454)

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35. FINANCIAL RISK MANAGEMENT WITHIN THE ARB APEX BANK (Continued)

Risk management and reporting systems (Continued)

35b: As at 31 December 2013

	Total	Less than 3 months	> 3 months < than 1 year	>1 year <3 years	3 years and over
Assets	GH¢	GH¢	GH¢	GH¢	GH¢
Cash and balances with central bank	24,832,690	24,832,690	-	-	-
Cash due from banks	67,680,319	57,680,319	10,000,000	-	-
Loans and advances to customers	40,199,804	8,075,063	1,680,354	22,027,062	8,417,325
Financial Instruments – Held to maturity	60,286,940	15,914,843	16,371,097	8,001,000	20,000,000
Other assets	8,179,279	6,988,900	966,818	143,934	79,627
	201,179,032	113,491,815	29,018,269	30,171,996	28,496,952
Financial liabilities					
Due to customers	153,432,841	69,222,808	650,000	21,033,729	62,526,304
Other liabilities	28,151,546	5,944,279	603,964	20,106,103	1,497,200
Interest payable and unearned discount	591,160	341,764	249,396	-	-
Total Liabilities	182,175,547	75,508,851	1,503,360	41,139,832	64,023,504
Net liquidity gap	**19,003,485**	**37,982,964**	**27,514,909**	**(10,967,836)**	**(35,526,552)**

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31 DECEMBER 2014

35. FINANCIAL RISK MANAGEMENT WITHIN THE ARB APEX BANK (Continued)

Risk management and reporting systems (Continued)

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 market risk framework of the Bank aims at determining the principles and procedures for identifying, measuring, monitoring and controlling market risks that the Bank is exposed to in order to minimize the impact of these risks on the Bank's profitability, liquidity and networth. The market risk types relevant 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 rates 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 statement of Financial position.

Standard scenarios that are considered on a monthly basis include a 200 basis points (bp) parallel fall or rise in market interest rates. A change in200bp in interest rates at the reporting date would have impacted equity and profit or loss by the amounts shown below:

	2014		2013	
	Increase 200bp	Decrease 200bp	Increase 200bp	Decrease 200bp
Interest Income	653,528	(653,528)	553,556	(553,556)
Interest expense	(96,718)	96,718	(85,553)	85,553
Net Impact	556,810	(556,810)	468,003	(468,003)

35. FINANCIAL RISK MANAGEMENT WITHIN THE ARB APEX BANK (CONTINUED)

Risk management and reporting systems (Continued)

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

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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	**2014**	2013
US Dollar	**3.2001**	2.1616
GB Pound	**4.9691**	3.5727
EURO	**3.9001**	2.9863

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at December 31, 2014 and December 31, 2013 respectively (all figures are in Ghana cedis)

December 31, 2014	**Dollar**	**Pounds**	**Euro**	**Total**
Financial assets	**GH¢**	**GH¢**	**GH¢**	**GH¢**
Cash	9,915	4,522	5,302	19,739
Bank balances	3,487,936	539,679	372,656	4,400,271
Total	3,497,851	544,201	377,958	4,420,010
Financial Liabilities				
Moneygram Cover	32	-		32
Western Union Cover	7,890			7,890
Vigo cover	16			16
Manage funds	482,713	-	-	482,713
Sundry payments	309,765	-	-	309,765
Total	800,416	-	-	800,416
Net on statement of Financial Position	2,697,435	544,201	377,958	3,619,594

35. FINANCIAL RISK MANAGEMENT WITHIN THE ARB APEX BANK (CONTINUED)

Risk management and reporting systems (Continued)

Sensitivity Analysis

A 5% strengthening/weakening of the cedi against the following currencies as at December 31, 2014 would have impacted on equity and profit or loss by the amounts shown below:

2014	Change in currency	Effect on Profit/loss	Effect on Equity
		GH¢	GH¢

US Dollar	+/-5%	431,596/(431,596)	431,596/(431,596)
GB Pound	+/-5%	135,208/(135,208)	135,208/(135,208)
Euro	+/-5%	73,720/(73,720)	73,720/(73,720)

2013	Change in currency	Effect on Profit/loss	Effect on Equity
		GH¢	GH¢
US Dollar	+/-5%	14,810/(14,810)	14,810/(14,810)
GB Pound	+/-5%	51,582/(51,582)	51,582/(51,582)
Euro	+/-5%	25,269/(25,269)	25,269/(25,269)

Market Risk Monitoring and Control

The Risk Management Department is responsible for monitoring the Bank's exposure to market risk. The analysis on impact of unlikely but plausible events by means of scenario analysis enables management to gain a better understanding of risk that the Bank is potentially exposed to under adverse conditions.

Credit Risk

Credit Risk is the risk of financial loss to the Bank due to the failure of counterparty to meet its contractual obligations. In order words, credit risk is the potential that a borrower will default in meeting its repayment obligation to the Bank.

The Bank is exposed to credit risk in its lending operations to the RCBs as well as placements with other commercial banks. In recognition of this fact, the Bank has established a framework for the control and management of Credit risk.

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 Unit in collaboration with the Credit Committee ensures prudent credit management through the following:

35. FINANCIAL RISK MANAGEMENT WITHIN THE ARB APEX BANK (CONTINUED)

Credit risk (continued)

- Formulation of credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentation and compliance with regulatory and statutory requirements.

- Establishing the authorization structure for the approval and renewal of credit facilities. Larger facilities beyond the approval limit of the Committee are referred to the Board of Directors through the Managing Director with recommendations for consideration.

- Ensuring that all credit requests are subjected to rigorous due diligence and credit appraisal to identify the potential risk inherent in any credit facility.

- Ensuring that a thorough credit assessment is carried out so that RCBs are not unduly financially overburdened as a result of the loan granted and those customers are treated fairly throughout the loan assessment period.

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- Adhering to net limits of Counterparty dealings, based on the net worth of each financial institution.

Stressed testing

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

An account is considered to be in default when payment is not received on due date. These accounts are closely monitored and subjected to a collection process. 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.

Collateral Held

A lien on short-term investments of the RCBs up to the quantum of the loan amount is used as a collateral.

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.

35. FINANCIAL RISK MANAGEMENT WITHIN THE ARB APEX BANK ((CONTINUED)

Reputational Risk

This is the risk of loss caused by the deterioration in or loss of public perception of the Bank, arising from adverse publicity or rumour or as a result of its failure to comply with banking laws, regulations, rules, internal management directives and other codes of conduct/ethics applicable to the banking industry. Reputational risk is difficult to quantify yet its effects can cause an extensive damage to the Bank. It can affect the Bank's ability to establish new relationships or retain existing relationships. It can expose the Bank to financial loss, decline in customer base (funds transfer business), litigation and loss of business.

Reputational risk may result from operational issues such as inefficient services that cause disaffection of customers and other stakeholders of the Bank. Other sources include system failures, unnecessary litigation, dealing with customers who engage in illegal business activities (Money Laundering) and so on.

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

Furthermore, the Board of Directors, through the Management have assigned the responsibility of safeguarding the Bank's reputation to the Corporate Affairs Unit and every member of staff. It also revolves around effective communication between the Bank and its customers. This is achieved through daily monitoring of customer complaints and media reportage about the Bank for prompt resolution of the concerns raised or any adverse publicity. The Bank also have periodic operational meetings with the Board of Directors and Supervising Managers of the RCBs to address issues where necessary.

36 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

NOTES TO THE FINANCIAL STATEMENTS
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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 2014 and 31 December 2013, the Bank did not hold any level 1 financial assets 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)

36 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

a. Fair value hierarchy (Continued)

This level includes available for sale financial assets which are Government of Ghana securities which are valued by reference to Bank or Ghana market rates. As at 31 December 2014 and 31 December 2013, the Bank did not hold any level 2 financial assets 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. As at 31 December 2014 and 31 December 2013 the Bank did not hold any level 3 financial assets and/or liabilities.

(b) Financial instruments not measured at fair value

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

	Carrying value 2014	Fair value	Carrying value 2013	Fair value
Financial assets	GH¢	GH¢	GH¢	GH¢
Cash and balances with Central Bank	37,854,001	37,854,001	24,832,690	24,832,690
Cash due from banks	92,940,261	92,940,261	67,680,319	79,623,905
Loans and advances to customers	29,173,498	29,173,498	40,199,804	47,293,887
Financial Instruments – Held to maturity	64,186,629	64,186,629	60,286,940	78,031,824
Other assets	14,988,640	14,988,640	8,179,279	8,179,279
Total financial assets	**239,143,029**	**239,143,029**	**201,179,032**	**237,961,585**
Financial liabilities				
Due to customers	199,172,156	199,172,156	153,432,841	154,982,668
Other liabilities	16,539,448	16,323,463	28,151,546	28,435,905
Interest payable and unearned discount	1,024,060	1,024,060	591,160	597,131

Total liabilities	216,519,679	216,519,679	**182,175,547**	**184,015,704**

Cash and bank balances with central bank

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

36 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Financial instruments not measured at fair value

Cash due from banking banks

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

Loans and advances to customers

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

Financial Instruments – Held to maturity

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

Other assets (excluding prepayments)

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

Due to customers

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

Interest payable and other liabilities

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

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36 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Financial instruments by category

2014	Loans and Receivables	Held to Maturity	Total Carrying Amount
	GH¢	GH¢	GH¢
Financial assets			
Cash and balances with Central Bank	37,854,001	-	37,854,001
Cash due from banks	93,314,074	-	93,314,074
Loans and advances to customers	29,173,498	-	75,708,002
Financial Instruments – Held to maturity	-	64,186,629	64,186,629
Other assets	14,988,639	-	14,988,639
Total financial assets	175,330,212	64,186,629	286,051,345

	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
Financial liabilities	GH¢	GH¢	GH¢
Due to customers		199,172,156	199,172,156
Other liabilities	-	16,539,448	16,323,463
Interest payable and unearned discount	-	1,024,060	1,024,060
Total liabilities	-	216,735,664	216,519,679

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36 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) Financial instruments by category (continued)

2013	Loans and Receivables	Held to Maturity	Total Carrying Amount
	GH¢	GH¢	GH¢
Financial assets			
Cash and balances with Central Bank	24,832,690	-	**24,832,690**
Cash due from banks	67,680,319	-	**67,680,319**
Loans and advances to customers	40,199,804	-	**40,199,804**
Financial Instruments – Held to maturity	-	60,286,940	**60,286,940**
Other assets	8,179,279	-	**8,179,279**
Total financial assets	**140,892,092**	**60,286,940**	**201,179,032**

Financial liabilities	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
	GH¢	GH¢	GH¢
Due to customers	-	134,692,208	134,692,208
Other liabilities	-	18,664,491	18,664,491
Interest payable and unearned discount	-	999,082	999,082
Total liabilities	**-**	**154,355,781**	**154,355,781**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

36. CAPITAL

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

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

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

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

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2014 and 2013. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject to.

Item	2014	**2013**
Paid-up Capital	9,019,690	8,934,340
Disclosed Reserves	27,861,670	23,916,472
Net Tier 1 Capital	36,881,360	32,850,812
Adjusted Asset base	103,756,986	98,084,811
Adjusted Capital as a percentage of Adjusted Asset Base	36%	33%