ARB APEX BANK LIMITED

FINANCIAL STATEMENTS
31 DECEMBER 2015

TABLE OF CONTENTS

GENERAL INFORMATION

BOARD OF DIRECTORS

Mr. Francis Kwami Akoto	- Non Executive Chairman	
Nana Owusu Sarfo Anwona II	- Non Executive vice Member	
Mr. Kwadwo Aye Kusi	- Managing Director	
Dr Edward Yaw Peprah-Agyemang	- Non Executive Member	
Mr. Philip Erasmus Cobbinah	- Non Executive Member	Apptd 1/01/2015
Ms. Yvonne Odoley Quansah	- Non Executive Member	
Mr. James Kwame Otieku	- Non Executive Member	
Nana Bram Okae II	- Non Executive Member	Apptd 02/07/2015
Mr. Ronald Acquah-Arhin	- Non Executive Member	Apptd 01/04/2015
Alhaji Fusheini Seidu	- Non Executive Member	
Dr. Nana Akowuah Boamah	- Non Executive Member	
Mr. Anthony 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, Accra
Ghana International Bank PLC, London

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

The directors present their report together with the audited financial statements of the ARB Apex Bank Ltd for the year ended 31 December 2015.

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 results of operations for the year ended 31 December 2015 are set out in the statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows together with notes to the financial statements.

Activities

Operational Results	**2015**	2014
	GH¢	GH¢
Profit/(loss) before taxation	**1,575,914**	5,569,610
Income tax expense	**(244,953)**	-
Deferred tax	**(274,395)**	-
Profit/(loss) after tax for the year	**1,056,566**	5,569,610
Other Comprehensive income/(loss)	**117,860**	(63,448)
	1,174,426	5,506,162

The Bank was exempted from the payment of corporate tax till the 2014 year of assessment.

Directors

The directors in office at the date of signing these financial statements are as follows;

Mr. James Kwame Otieku	- Non Executive Chairman
Osagyefo Amanfo Edu VI	- Non Executive Vice Chairman
Larry Kwesi Jiagge	- Non Executive Director
Philip Erasmus Cobbinah	- Non Executive Director
Ms. Yvonne Odoley Quansah	- Non Executive Director
Yaw Odame-Darkwa	- Non Executive Director
Nana Bram Okae II	- Non Executive Director
Roland Acquah-Arhin	- Non Executive Director
Alhaji Fusheini Seidu	- Non Executive Director
Dr. Nana Akowuah Boamah	- Non Executive Director
Mr. A. K. Forkah	- Non Executive Director
Dr. Philip Yaw Amakye	- Non Executive Member

Mr. Kwadwo Aye Kusi - Managing Director

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
--	--
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 as set out on pages 6 to 59, which comprise the statement of financial position as at 31 December 2015, 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 2015 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 Balance sheet (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), 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/2016/126)
Chartered Accountants
Accra, Ghana

Date:

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 December 2015

	Notes	2015	2014
		GH¢	GH¢
Interest and similar Income	3	41,207,459	32,676,387
Interest and similar expense	4	(6,493,549)	(4,835,911)
Net interest income		34,713,910	27,840,476
Fees & commission income		5,889,217	7,113,804
Fees & commission expense		(911,793)	(1,706,699)
Net fee and commission income	5	4,977,424	5,407,105
Net Trading income		39,691,334	33,247,581
Other operating income	6	11,586,144	11,127,517
Total operating income		51,277,478	44,375,098
Impairment loss	7	(1,718,756)	(5,620,722)
Net operating Income		49,558,722	38,754,376
Personnel expenses	8	(22,780,835)	(17,302,292)
Depreciation	17	(3,954,847)	(3,112,259)
Amortization of Intangible asset	17(c)	(1,240,816)	(880,712)
Other operating expenses	9	(20,006,310)	(11,889,503)
Total operating expenses		(47,982,808)	(33,184,766)
Profit before tax		1,575,914	5,569,610
Income tax expense	10(a)	(519,348)	-
Profit for the year		1,056,566	5,569,610
Other comprehensive income not to be reclassified to profit and loss in subsequent periods			
Gain/(loss) on post-retirement medical benefits		117,860	(63,448)
Total comprehensive income for the year		1,174,426	5,506,162
Profit for the year attributable to Owners of the bank		1,174,426	5,506,162
Earnings per share	11		
Basic earnings per share		0.10	0.55

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	2015	2014
Assets		GH¢	GH¢
Cash and balances with central bank	12	**40,971,315**	37,854,001
Cash due from banks	13	**112,844,555**	93,314,074
Financial Instruments – Held to maturity	14	**58,698,415**	64,186,629
Loans and advances to customers	15	**18,756,873**	29,173,498
Other assets	16	**26,071,748**	16,750,580
Corporate tax asset	10(d)	**436,372**	-
Deferred tax asset	10(c)	-	24,902
Property, plant and equipment	17	**12,148,957**	11,342,606
Intangible asset	17c	**4,066,629**	3,506,922
Assets held for sale	18	-	271,288
Investment in RCBs – Preference shares	19	**2,538,519**	-
Total Assets		**276,533,383**	256,424,500
Total liabilities and equity			
Liabilities			
Due to customers	20	**208,245,135**	199,172,156
Deferred tax liability	10(c)	**259,742**	-
Other liabilities	21	**26,956,127**	16,253,681
Government grant	22	**2,696,521**	2,807,506
Interest payable	23	**295,472**	1,024,060
Post-retirement medical benefit	24	-	285,737
Total liabilities		**238,452,997**	219,543,140
Equity			
Issued capital	27	**9,044,290**	9,019,690
Statutory reserves	28	**11,308,749**	11,044,608
Regulatory credit risk reserves	29	-	83,662
Other Reserves		**(151,114)**	(268,974)
Retained earnings		**17,878,461**	17,002,374
Total Equity		**38,080,386**	36,881,360
Total Liabilities and Equity		**276,533,383**	256,424,500

ARB APEX BANK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Stated Capital GH¢	Retained earnings GH¢	Regulatory credit risk reserves GH¢	Other Reserves GH¢	Statutory reserves GH¢	Total GH¢
Balance as of 1 January 2015	9,019,690	17,002,374	83,662	(268,974)	11,044,608	**36,881,360**
Profit for the year	-	**1,056,566**	-	-	-	**1,056,566**
Other comprehensive income	-	-	-	**117,860**	-	**117,860**
Total comprehensive income	-	**1,056,566**	-	117,860		**1,174,426**
Dividend paid	-	-	-	-	-	-
Transfer from statutory reserves	-	(264,141)	-	-	264,141	-
Transfer to regulatory credit risk reserve		83,662	(83,662)			
Shares Issued	24,600	-	-	-	-	**24,600**
						-
Balance as of 31 December 2015	**9,044,290**	**17,878,461**	-	**(151,114)**	**11,308,749**	**38,080,386**

	Stated capital GH¢	Retained earnings GH¢	Regulatory credit risk reserve GH¢	Other reserve GH¢	Statutory reserve 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
Other comprehensive income	-	-	-	(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 statutory reserves	-	(1,392,403)	-	-	1,392,403	-
Transfer from regulatory credit risk reserve	-	243,445	(243,445)	-	-	-
Shares Issued	85,350	-	-	-	-	85,350
Balance as of 31 December 2014	9,019,690	17,002,374	83,662	(268,974)	11,044,608	36,881,360

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 GH¢	2014 GH¢
OPERATING ACTIVITIES			
Profit before taxation		1,575,914	5,569,610
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Impairment loss reversal	7	1,718,756	5,620,722
Impairment provision no longer required	6	(4,688,885)	-
Cost of bailout to RCBs	9	3,529,864	-
Depreciation	17(a)	3,954,847	3,112,259
Amortisation of intangible asset	17(c)	1,240,816	880,712
Notional Interest income	6	(402,514)	(328,681)
Profit / (loss) on disposal of property, plant and equipment	6	(356,810)	6,582
Capital grant amortisation	6	(110,985)	(110,984)
Write off of asset held for sale	18	271,288	66,269
Exchange (losses) / gains on cash and cash equivalents		667,884	(900,237)
		7,400,175	13,916,252
Working capital adjustments:			
Decrease in advances and loans		9,231,239	5,734,264
Increase in other assets		(1,169,000)	(6,599,832)
(Decrease)/Increase in interest payable and unearned discount		(728,588)	432,900
Decrease in post- retirement medical benefit		(285,737)	-
Increase in due to customers		9,072,981	45,739,315
Increase / (decrease) in other liabilities		10,702,446	(11,681,093)
		34,223,516	47,541,806
Tax paid		(681,325)	-
Net cash flows from operating activities		33,542,191	47,541,806
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		431,459	72,370
Sales/(purchase) of held to maturity investments		5,488,214	(3,899,689)
Purchase of property, plant and equipment		(4,835,847)	(4,462,062)
Investment in RCBs – preference shares		(9,500,000)	-
Purchase of intangible assets		(1,800,523)	(21,982)
Net cash flows used in investing activities		(10,216,697)	(8,311,363)
FINANCING ACTIVITIES			
		-	-
Dividend paid to equity holders		-	(1,560,964)
Proceed from share issue		24,600	85,350
Net cash flows from / (used in) financing activities		24,600	(1,475,614)
Increase in cash and cash equivalents		23,350,094	37,754,829
Cash and cash equivalents at 1 January		131,168,075	92,513,009
Exchange difference		(667,884)	900,237
CASH AND CASH EQUIVALENTS	25	153,850,285	131,168,075

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

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.

Deferred tax assets

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

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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

Office equipment	20%
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 Assets Held for Sale

Non-current assets acquired for the use by the bank rather than those for resale are classified as 'Held for Sale' when they are no more required. These assets are normally expected to be sold within one year and a committed plan is put in place to sell them. These items are, however, written off when there is no active market for them and sale is highly unlikely to be completed within one year.

2.2.4 Lease arrangement

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

The Bank has entered into commercial leases for premises. These leases have an average life of between three and five years with renewal option included in the contracts. All the contracts are cancellable and advance payments have been made on all of them.

2.2.5 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.6 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.

2.2.7 Post-employment medical benefit

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

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

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

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

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

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

Other employee benefits - loans at concessionary rate

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.8 Revenue recognition

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

(i) Interest and similar income and expense

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

For which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the effective interest rate from the date of the change in estimate.

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

(ii) Fee and commission income

The Bank earns fee and commission income mainly from 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.

2.2.9 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.9 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 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.

2.2.10. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.11 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'.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.12 Provisions

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

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

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

{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 credit risk reserve ensures that minimum regulatory provisioning requirements as established by the Bank of Ghana are maintained.

2.2.13 Cash and cash equivalents

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

2.2.14 Intangible assets

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

The amortisation expense on intangible assets is recognised in profit or loss in the expense category consistent with the function of the intangible asset. Amortisation is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:
Computer software - 5 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.15 Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax assets and liabilities also include adjustments for tax expected to be payable or recoverable in respect of previous periods.
Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:
☐
Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss☐ In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.15 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 16 Leases

In January 2016, the International Accounting Standards Board (IASB or Board) issued IFRS 16 Leases, which requires lessees to recognise assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases.

The IASB issued its standard as part of a joint project with the Financial Accounting Standards Board (FASB). The FASB has not yet issued its new standard, but it is also expected to require lessees to recognise most leases in their statement of financial position. However, the IASB and FASB made different decisions during deliberations, and differences between the two standards will exist (e.g., there would be a classification test for lessees under the FASB's standard). IFRS 16 will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16.

The adoption of IFRS 16 will have an effect on the recognition of the Bank's operating leases. The Bank is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

IFRS 9 *Financial Instruments*

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

The Bank plans to adopt the new standard on the required effective date. During 2015, the Bank has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Bank in the future. Overall, the Bank expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Bank expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

(a) Classification and measurement

The Bank does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in OCI will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The AFS reserve currently in accumulated OCI will be reclassified to opening retained earnings. Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Bank expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.15 Standards issued but not yet effective (Continued)

The equity shares in non-listed companies are intended to be held for the foreseeable future. The Bank expects to apply the option to present fair value changes in OCI, and, therefore, believes the application of IFRS 9 would not have a significant impact. If the Bank were not to apply that option, the shares would be held at fair value through profit or loss, which would increase the volatility of recorded profit or loss.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Bank expects that these will continue to be measured at amortised cost under IFRS 9. However, the Bank will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment

IFRS 9 requires the Bank to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Bank expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Bank expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

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.

Annual improvements 2011-2013 Cycle

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 2018 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.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.15 Standards issued but not yet effective (Continued)

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.

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.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.15 Standards issued but not yet effective (Continued)

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2.15 Standards issued but not yet effective (Continued)

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.

2.16 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 2015.

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.

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 recognize 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.

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.

2.16 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

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 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.
(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

2.16 NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONTINUED)

Amendments to IAS 1 Disclosure Initiative

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 OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

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

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 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.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

3. INTEREST AND SIMILAR INCOME

	2015	2014
	GH¢	GH¢
Cash and short-term funds	22,391,614	10,255,355
Loans and advances to rural banks	4,587,912	7,449,550
Financial Investments - Held to Maturity	13,888,396	14,685,984
Loan and advances to staff	339,537	285,498
	41,207,459	32,676,387

4. INTEREST AND SIMILAR EXPENSE

	2015	2014
	GH¢	GH¢
Clearing balances	521,021	279,975
Fixed and time Apex certificate of Deposit	4,104,667	3,270,329
Borrowings-Inter-Bank	230,527	397,032
Short term deposits(Rural community banks)	1,546,822	842,316
Staff balances	90,512	46,259
	6,493,549	4,835,911

5. NET FEES AND COMMISSIONS INCOME

	2015	2014
	GH¢	GH¢
Apex link and money transfers	830,173	978,310
Other Banks Funds Transfer	331	282
Western Union/ Foreign Transfers	1,526,753	1,432,227
Micro Finance/Managed Funds	383,773	310,794
Specie Fees	69,073	61,126
Brokerage Fees income	1,428,098	2,259,794
Commission on clearing	164,126	255,538
Training Fees	252,520	800,600
Commission on MICR Cheque	889,530	721,876
Other commissions	115,229	100,999
SMS Commission	229,611	192,258
	5,889,217	7,113,804
Less; Fees and commission expenses		
Brokerage fees expenses	(911,793)	(1,706,699)
Net fees and commission income	4,977,424	5,407,105

6 OTHER OPERATING INCOME

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

	2015	2014
	GH¢	GH¢
Exchange gain	-	900,237
Capital Grant Amortisation	110,985	110,984
Provision no longer required	4,688,885	-
Coupon Income-Preference shares	53,058	-
Notional Interest	402,514	328,681
Profit on disposal	356,810	-
Gains from foreign currency dealings	5,695,763	9,278,360
Other income	278,129	509,255
	11,586,144	11,127,517

7. IMPAIRMENT LOSS

	2015	2014
	GH¢	GH¢
Individual impairment	1,192,847	5,355,561
Collective impairment	525,909	265,161
	1,718,756	5,620,722

8. PERSONNEL EXPENSES

	2015	2014
	GH¢	GH¢
Wages and salaries	14,088,221	11,254,508
Social security cost	2,341,099	2,015,160
Other staff allowances	6,351,515	4,032,624
	22,780,835	17,302,292

9. OTHER OPERATING EXPENSE

	2015	2014
	GH¢	GH¢
Professional fees	88,357	408,944
Exchange loss	667,884	-
Cost of bailout of RCBs	3,529,864	-
Directors' fees & allowance	761,317	625,754
Utilities and cleaning	1,474,058	1,193,117
Loss on sale of assets	-	6,582
Audit fees	100,000	80,000
Staff training	280,858	539,566
Rental	673,042	467,617
Training of rural banks	35,469	782,517
Repairs and maintenance	949,715	681,678
Balance c/fwd	8,560,564	4,785,775

9. OTHER OPERATING EXPENSE (CONTINUED)

	2015	2014
	GH¢	GH¢

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

Balance b/d	**8,560,564**	4,785,775
Meeting and conferencing	**462,453**	436,706
Travels (Local and foreign)	**909,749**	809,181
Advertising and marketing	**607,771**	767,458
Specie	**67,060**	49,206
Communication	**455,738**	336,811
Insurance	**303,485**	184,535
Printing/ Stationery	**222,927**	196,789
Office running costs	**938,973**	1,555,519
Fuel and Lubricants	**578,303**	409,605
Vehicle Maintenance Costs	**272,178**	181,167
Subscription /License and Dues	**260,442**	147,142
Donations	**79,568**	116,104
New Products Expenses	**103,600**	46,049
Clothing & Image Enhancement	**1,400,065**	1,298,613
Outsourced Service	**761,431**	385,535
Clearing Houses Expenses	**-**	1,346
Bank Charges	**39,871**	17,992
GIS/ Swift Charges	**83,561**	69,977
Postage	**95,661**	83,663
Communication Cost - RCBs	**3,795,585**	-
Overs and shorts in till	**7,325**	10,330
	20,006,310	11,889,503

Communication Cost relates to was a decision taken by the Board to absorb part of the communication costs of RCBs for 2015.

10. TAXATION

The major components of income tax expense for the years ended 31 December 2015 and 2014 were:

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

		2015	2014
	GH¢	GH¢	GH¢
Current income tax		**244,953**	-
Deferred tax relating to the origination and reversal of temporary differences		**274,395**	-
At 31 December		**519,348**	-

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

Accounting Profit before taxation	**1,575,914**	-
Tax at the applicable rate of 8%	**126,073**	-
Tax on non-deductible expenses	**863,611**	-
Income not subject to tax	**(444,736)**	-
Capital allowance	**(299,995)**	-
Deferred tax	**274,395**	-
	519,348	-

The effective income tax rate for year 2015 is 33% (2014:Nil)

10. TAXATION (CONTINUED

(c) Deferred tax asset/(liabilities)

	2015	2014
Deferred tax relates to the following:	**2015**	2014
Deferred tax liabilities	**GH¢**	GH¢
Property, plant and equipment	**(513,108)**	-
Deferred tax assets		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

Provision for impairment of loans		238,713	-
Postretirement medical benefit	¤	14,653	24,902
Net deferred tax (liability)/asset		(259,742)	24,902

Changes in deferred tax assets and liabilities	2015 GH¢	2014 GH¢	Impact of change on profit or loss
Property, plant and equipment	(513,108)	-	(513,108)
Provision for impairment of loans	238,713	-	238,713
	(274,395)	-	(274,395)

The Bank has recognized deferred tax liabilities. In 2015 the deferred tax liabilities is attributable mainly to unrealised PPE. In 2014 the deferred tax assets was attributed to post-retirement medical benefit for employees.

Movement on deferred tax account as shown in profit or loss and other comprehensive income is as follows;

	2015 GH¢	2014 GH¢
Opening balance (assets) / liabilities	-	-
Tax expense to profit or loss	274,395	-
	274,395	-
Opening balance (assets) / liabilities	(24,902)	(19,385)
Tax expense/(recovered) to OCI	10,249	(5,517)
	(14,653)	(24,902)
Total deferred tax (asset) / liability	(259,742)	(24,902)

(d) Corporate taxation (payable)/recoverable

	1 Jan GH¢	Paid during the year GH¢	Charged during the year GH¢	Adjustment GH¢	31 Dec GH¢
Corporate tax					
2014	-	-	-	-	-
2015	-	(681,325)	244,953	-	(436,372)
	-	(681,325)	244,953	-	(436,372)

11. EARNINGS PER SHARE

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

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

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

	2015	2014
Net profit attributable to ordinary equity holders of the parent	1,056,566	5,569,610

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

Weighted average number of ordinary shares for basic earnings per share	**10,205,589**	10,185,589
	2015	**2014**
Earnings per share		
Basic earnings per share	**0.10**	**0.55**

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

	2015	2014
	GH¢	GH¢
Cash on hand	**18,526,059**	16,859,045
Current account with the central bank	**22,445,256**	20,994,956
	40,971,315	37,854,001

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

13. CASH DUE FROM BANKS

	2015	2014
	GH¢	GH¢
Placement with other banks	**103,**034,415	**90,**373,813
Nostro account balances	**9,878,970**	2,940,261
	112,844,555	93,314,074

There are no indications of impairment for cash and due from bank for 2015. The interest rate on placement due to other bank ranged from 23%-28% in 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

14. HELD TO MATURITY

	2015	2014
	GH¢	GH¢
Government debt securities	36,543,300	49,051,740
Treasury bills discounted	-	4,634,889
Treasury bills held to maturity	22,155,115	10,500,000
	58,698,415	64,186,629

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%

15. LOANS AND ADVANCES

	2015	2014
	GH¢	GH¢
On-lending	2,084,992	7,502,191
Capital projects	8,616,644	9,824,915
Micro finance	311,098	3,714,285
Short term Loan	502,279	7,714,805
Long term Loan	2,628,741	27,221
Rural Banks automobile loan	1,605,746	2,008,484
Staff loan	5,991,290	4,335,643
Total gross loans	21,740,790	35,127,544
Less: Allowance for impairment losses	(2,983,917)	(5,954,046)
	18,756,873	29,173,498

Impairment on losses on loans and advances

	2015	2014
	GH¢	GH¢
Individual impairment	2,458,008	5,688,885
Collective impairment	525,909	265,161
Balance as at 31 December	2,983,917	5,954,046

Reconciliation of impairment losses

	2015	2014
	GH¢	GH¢
Balance as at 1 January	5,954,046	333,324
impairment no longer required	(4,688,885)	-
Charge for the year	1,718,756	5,620,722
Balance as at 31 December	2,983,917	5,954,046

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

16. OTHER ASSETS

	2015	2014
	GH¢	GH¢
Accrued income	5,312,462	5,813,557
Prepayments	11,600,414	7,766,679
Deferred cost of intervention	8,152,168	-
Sundry receivables	1,006,704	3,170,344
	26,071,748	16,750,580

Prepayments relate to prepaid Bandwidth and Annual warranty charges in respect of the running of the Data centre.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

17(a) PROPERTY, PLANT AND EQUIPMENT – 2015

	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 1/1/2015	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
Additions	-	-	-	670,617	134,533	3,085,822	653,207	291,669	4,835,848
Transfers	-	-	-	-	-	501,154	-	(501,154)	-
Disposal	-	-	-	(41,868)	(18,247)	(958,474)	(425,117)	-	(1,443,706)
Balance as at 31/12/15	1,370,298	3,409,702	1,417,806	2,972,251	700,536	5,019,119	8,473,760	622,918	23,986,390
Accumulated Depreciation									
As at 1/1/2015	-	611,899	804,837	1,708,936	420,369	1,804,870	3,900,731	-	9,251,642
Charge for the year	-	68,239	95,898	375,090	66,548	895,917	2,453,155	-	3,954,847
Disposal	-	-	-	(27,237)	(8,968)	(908,865)	(423,986)	-	(1,369,056)
Balance as at 31/12/15	-	680,138	900,735	2,056,789	477,949	1,791,922	5,929,900	-	11,837,433
Carrying amount as at 31/12/15	1,370,298	2,729,564	517,071	915,462	222,586	3,227,197	2,543,860	622,918	12,148,957

17(b) PROPERTY, PLANT AND EQUIPMENT - 2014

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

	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 1/1/2014	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)
Disposals	-	-	-	(144,513)	(21,490)	(195,949)	(56,682)	-	(418,634)
Balance as at 31/12/2014	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
Disposals	-	-	-	(103,598)	(15,893)	(163,507)	(56,685)	-	(339,683)
Balance as at 31/12/2014	-	611,899	804,837	1,708,936	420,369	1,804,870	3,900,731	-	9,251,642
Carrying amount as of 31/12/2014	1,370,298	2,797,803	612,969	634,566	163,881	585,747	4,344,939	832,403	11,342,605

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

17 (c) INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2015	2014
Cost	GH¢	GH¢
As at 1/1/2015	4,502,884	178,948
Additions - acquisition	1,800,523	21,982
Transfers from work in progress	-	4,301,954
Balance as at 31/12/15	6,303,407	4,502,884
Accumulated Amortisation		
As at 1/1/2015	995,962	115,250
Charge for the year	1,240,816	880,712
Balance as at 31/12/15	2,236,778	995,962
Carrying amount as at 31/12/15	4,066,629	3,506,922

18. ASSET HELD FOR SALE

	2015	2014
	GH¢	GH¢
Balance as at 1 January	271,288	66,269
Transfer from PPE	-	271,288
Write off	(271,288)	(66,269)
Balance as at 31 December	-	271,288

The assets represent components of VNX storage acquired for the upgrade of the data centre in 2013 which are no longer required. There is no market for these items because of their specialized nature and attempts to resell them to the original vendor have failed.

19. INVESTMENTS IN RURAL AND CUMMUNITY BANKS (RCB)

	2015		2014	
	Carrying value	Fair values	Carrying value	Fair value
	GH¢	GH¢	GH¢	GH¢
Cash advanced to bailout RCBs	9,500,000	1,347,832	-	-
Loans converted to bailout RCBs	4,688,885	1190,687	-	-
Fair value of preference shares	14,188,885	2,538,519	-	-

The Bank in 2015 bailed out four (4) distressed banks. The carrying value represents the actual funds advanced to the RCB and the fair value represents the discounted future cash flows. The bailout is treated as a preference share investment in the RCBs with a coupon rate of 2% redeemable in 10 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

20. DUE TO CUSTOMERS

	2015	2014
	GH¢	GH¢
Due to rural banks	203,721,928	183,660,967
Staff balances	1,800,321	1,486,053
Other current accounts	2,722,886	14,025,136
	208,245,135	199,172,156

There are no cash collaterals held in respect of these assets

21. OTHER LIABILITIES

	2015	2014
	GH¢	GH¢
Accounts payable and sundry creditors	24,842,747	14,927,975
Regulatory charges	608,000	491,000
Accrued expenses	1,505,380	834,706
	26,956,127	16,253,681

These other liabilities are not interest bearing.

22. GOVERNMENT GRANT

	2015	2014
	GH¢	GH¢
At 1 January	2,807,506	2,918,490
Received during the year	-	-
Released to profit and loss	(110,985)	(110,984)
At 31 December	2,696,521	2,807,506

Government cash 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.

23. INTEREST PAYABLE

	2015	2014
	GH¢	GH¢
Accrued interest payable	295,472	1,024,060

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

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.

	2015	2014
	GH¢	GH¢
Defined benefit obligation at 1 January	926,505	662,281
Current service cost	84,080	73,113
Interest cost	213,096	152,325
Benefit paid/ Cost Incurred	(44,915)	(30,179)
Actuarial (gain)/loss	(128,109)	68,965
Total liability as at 31 December	1,050,657	926,505
Less plan assets for the year	(1,252,427)	(640,768)
Total unfunded	-	285,737

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:

	2015	2014
	%	%
Discount rate	23	23
Salary percentile increase	15	15
Inflation on medical cost	17.0	16.5

The post-retirement medical benefit is assumed to be an average of GH¢7,100 inflated at 17.0% annually. It has been assumed that the average life expectancy beyond the retirement age of 60 is 10 years for both men and women.

A quantitative sensitivity analysis for significant assumption as at 31 December 2015 is, as shown below:

	2015	2014
	GH¢	GH¢
Discount rate		
1% increase in rate	10,559	9,756
1% decrease in rate	(10,559)	(9,756)
Salary percentile increase		
1% increase in rate	12736	9,026
1% decrease in rate	(12,736)	(9,026)
Inflation on medical cost		
1% increase in rate	14,273	10,821
1% decrease in rate	(14,273)	(10,821)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

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 2015 all the rural banks had a minimum of 20,000 shares allocated to them.

Compensation to key management personnel

Total compensation of key management personnel (Managing Directors, Deputy Managing Directors and Head of Departments of the Bank at 31 December 2015:

	2015 GH¢	2014 GH¢
Short term employee benefits	2,627,638	2,126,654

Total loan balances of key management staff stood at GH¢1,652,329 (2014: GH¢948,489)

All key management staff are entitled to post employment medical benefit. The cost of this benefit has been recognized in the income statement. Interests charged on loans to staff are at concessionary rates and lower than the rates that would be charged in an arm's length transaction. The secured loans are secured by real estate and other assets of the respective borrowers. No impairment losses have been recorded against the outstanding balances. However, these balances have been included in the portfolio for collective impairment assessment for loans and advances.

25. CASH AND CASH EQUIVALENT

	Notes	2015 GH¢	2014 GH¢
Cash and balance with central bank	12	40,971,315	37,854,001
Cash and due from banks	13	112,878,970	93,314,074
		153,850,285	131,168,075

There are no restrictions on the balances held with the central bank.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2015

26. DIVIDENDS PAID AND PROPOSED

	2015	2014
	GH¢	GH¢
Declared and paid during the year:	-	1,560,965
Dividend for 2014: GH¢0.1436 per share		

No dividend has been proposed in 2015

27. STATED CAPITAL

Authorized shares

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

Ordinary shares issued and fully paid

Stated Capital	2015	2014
	GH¢	GH¢
At 1 January	9,019,690	8,934,340
Shares issued during the year	24,600	85,350
At 31 December	9,044,290	9,019,690

No. of Shares

	2015	2014
	Number	Number
At 1 January	10,185,589	10,010,715
Shares issued during the year	20,000	174,874
At 31 December	10,205,589	10,185,589

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

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.

	2015	2014
	GH¢	GH¢
At 1 January	11,044,608	9,652,205
Transfer in 2015 (25% of profit)	264,141	1,392,403
At 31 December	11,308,749	11,044,608

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

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

31 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

2015

ASSETS	Within 12 months	After 12 months	Total
	GH¢	GH¢	GH¢
Cash and balance with central bank	40,971,315		40,971,315
Cash due from banks	103,000,000	9,878,970	112,878,970
Cheques for clearing	(34,415)	-	(34,415)
Loans and advances to customers	4,888,860	13,868,013	18,756,873
Financial Instruments-HTM	30,380,115	28,318,300	58,698,415
Other assets	9,525,554	16,546,194	26,071,748
Income tax	436,372	-	436,372
Investment in RCBs	-	2,538,519	2,538,519
Total Assets	**189,167,801**	**71,149,996**	**260,317,797**
LIABILITIES			
Due to customers	150,753,711	57,491,424	208,245,135
Other liabilities	16,580,918	10,275,209	26,856,127
Deferred tax liability	259,742	-	259,742
Government Grant	233,070	2,463,451	2,696,521
Interest payable	295,472	-	295,472
Total Liabilities	**168,122,913**	**70,230,084**	**238,352,997**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

31 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

2014

ASSETS	Within 12 months	After 12 months	Total
	GH¢	GH¢	GH¢
Cash and balance with central bank	37,854,001	-	37,854,001
Cash due from banks	92,940,261	-	92,940,261
Cheques for clearing	373,813	-	373,813
Loans and advances to customers	5,472,811	23,700,687	29,173,498
Financial Instruments-Held to maturity	55,580,586	8,606,043	64,186,629
Other assets	11,664,837	5,085,743	16,750,580
Deferred tax	24,902	-	24,902
Total Assets	**203,911,211**	**37,392,473**	**241,303,684**
LIABILITIES			
Due to customers	80,525,035	118,647,121	199,172,156
Other liabilities	6,227,880	10,025,801	16,253,681
Government Grant	243,070	2,564,435	2,807,505
Post-retirement medical benefit	285,737	-	285,737
Interest payable	1,024,060	-	1,024,060
Total Liabilities	**88,305,782**	**131,237,357**	**219,543,139**

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 2015. (2014, nil)

Contingent liabilities

There was no contingent liability as of 31 December 2015. (2014, nil)

34. CAPITAL COMMITMENTS

There were no capital commitments as of 31 December 2015. (2014, nil)

35. OPERATING LEASE COMMITMENT

There was no operating lease commitment as at the year end.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

36. FINANCIAL RISK MANAGEMENT WITHIN THE ARB APEX BANK

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

Risk Management Framework

The Bank maintains a Risk Management Framework, which comprises of comprehensive set of principles, standards, procedures and processes designed to identify, measure, monitor and mitigate all significant risks across the Bank. Through the framework, risk is managed at enterprise-wide level, with the aim of maximizing risk-adjusted returns within the context of the Bank's risk appetite. The major risks the Bank is exposed to are Operational, Credit, Market, Liquidity, Compliance and Reputational.

Risk Governance

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

- The Risk, Audit and Compliance (RAC), the Board's sub-committee on risk exercises oversight of the risk management process: identification, measurement, management and control of all significant risks throughout the Bank. The sub-committee is supported by the Internal Control Department, which provides an independent assessment of the design, adequacy, application and effectiveness of the Bank's internal control procedures.
- The Risk, Inspection and Compliance (RIC) is the management committee on operational risk. The committee reviews reports on risks from various Departments and Units when necessary and take appropriate decisions aimed at improving the management of operational risks in the Bank.
- The Asset and Liability Management Committee (ALMCO) is a management committee responsible for managing the risk inherent in the Bank's balance sheet. It is charged with ensuring that there is adequate liquidity for the Bank's operations by monitoring the maturity of the Bank's assets and liabilities.
- The Credit Committee is a management committee responsible for managing credit risk in the Bank. This committee is charged with the function of critically evaluating reports in terms of the technical, commercial and financial viability of borrowers (RCBs) as well as their potential default and security realization risks.
- The Risk Management Department is responsible for developing, monitoring and evaluation of overall policies and procedures including various risk management strategies and controls in the Bank. The department also provides a review of the overall risk profile of the Bank from time to time. It reports regularly on its activities to the Board's sub-committee on risk through the Managing Director.

36. FINANCIAL RISK MANAGEMENT WITHIN THE ARB APEX BANK (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 in order to achieve its strategic objectives. The Bank's risk appetite level reflects the Bank's capacity to sustain losses under stressed business conditions.
The Bank articulates its risk appetite via a combination of qualitative and quantitative statements to cover relevant risk areas.

Operational Risk

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

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, analyse and report on the Bank's operational risk profile through:
  i. Analysing internal loss data by recording of risk events in a Loss Events Database

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

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

ii. Adoption of key risk indicators that provide early warning and insight into the Bank's risk exposure, particularly the ongoing trends in identified key risk areas.
iii. Monitoring of external events to ensure that the Bank stays in tune with the industry

- Ensure business continuity:
  i. That the physical infrastructure including buildings, network and computers of the Bank are protected.
  ii. That the business continuity plan exist, tested and communicated to relevant staff members.
- Compliance with standards set by the Bank is supported by periodic reviews undertaken by the Internal Control, Risk Management as well as Legal and Compliance departments. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to RIC, then to RAC where necessary.

Liquidity Risk

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

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

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

The net liquidity gaps resulting from liquidity analysis of assets and liabilities of the Bank as of December 31, 2015 and 2014 are shown below:

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

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

Risk management and reporting systems (Continued)

Maturity analysis of financial assets and liabilities

2015

ASSETS	Total	Less than 3 months	> 3 months< than 1 year	>1 year < 3 years	3 years and over
	GH¢	GH¢	GH¢	GH¢	GH¢
Cash and balance with central bank	40,971,315	40,971,315	-	-	-
Cash due from banks	112,844,555	102,844,555	10,000,000		
Loans and advances to customers	19,282,781	718,162	4,170,698	10,332,016	4,061,905
Financial Instruments-Held to maturity	58,698,415	18,197,267	12,182,848	23,318,300	5,000,000
Other assets	17,919,580	17,048,168	310,963	241,533	318,916
Investments in RCBs	2,538,519	-	-	-	2,538,519
Total Assets	**193,615,863**	**179,779,467**	**26,664,509**	**33,891,849**	**11,919,340**
LIABILITIES & SHAREHOLDERS' FUNDS					
Due to customers	208,299,817	88,619,939	22,699,076	2,598,736	94,382,066
Other liabilities	26,893,696	17,458,283	457,413	8,188,569	789,431
Interest payable and unearned discount	295,472	295,472	-	-	-
Total Liabilities	**235,488,985**	**106,373,694**	**23,156,489**	**10,787,305**	**95,171,497**
Net liquidity gap	**16,766,180**	**73,405,773**	**3,508,020**	**23,104,544**	**(77,022,110)**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

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

Risk management and reporting systems (Continued)

Maturity analysis of financial assets and liabilities (continued)

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 & SHAREHOLDERS' FUNDS					
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)**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

36. 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 relevant market risks to the Bank are Interest rate and Foreign exchange.

Interest Rate Risk

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

The ALMCO manages the interest rate risk through Treasury Unit. Gap analysis is used in measuring interest rates risk. The interest- sensitive assets and liabilities are arranged in time buckets as per the re-pricing date (floating rate) and maturity (fixed rate and final repayment).
The Bank also conducts Earnings Sensitivity Analysis which measures the interest rate sensitivity of the bank's net interest income. It measures the amount the net interest income of the Bank would change as a result of a percentage parallel shift in interest rate as pertained to the current maturity structure of the Bank's statement of financial position.
A standard scenarios that are considered on a monthly basis include a 200 basis points (bp) parallel fall or rise in market interest rates. A change in 200bp in interest rates at the reporting date would have impacted equity and profit or loss by the amounts shown below:

	2015		**2014**	
	Increase 200bp	**Decrease 200bp**	**Increase 200bp**	**Decrease 200bp**
Interest Income	824,149	(824,149)	653,528	(653,528)
Interest expense	(129,871)	129,871	(96,718)	96,718
Net Impact	**694,278**	**(694,278)**	**556,810**	**(556,810)**

Foreign Exchange Risk

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

The foreign exchange risk is managed by ALMCO through the Treasury Unit. The Bank's currency position and exposure are managed within the exposure guidelines stipulated by the Bank of Ghana. This position is reviewed on a daily basis by the management.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

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

Risk management and reporting systems (Continued)

The following mid inter-bank exchange rate were applied at the end of the year:

Currency	2015	2014
US Dollar	3.7950	3.2001
GB Pound	5.6165	4.9691
EURO	4.1320	3.9001

The table below summaries the Bank's exposure to foreign currency exchange rate risk as at December 31, 2015 and December 31, 2014 respectively (all figures are in Ghana Cedis).

December 31 2015	**Dollar**	**Pounds**	**Euro**	**Total**
Financial Assets	GH¢	GH¢	GH¢	GH¢
Cash	8,389	5,111	5,620	19,120
Bank Balances	10,235,575	486,835	153,249	10,875,659
Total	10,243,964	491,946	158,869	10,894,779
Financial Liabilities				
Unallocated Funds	-	2,232	-	2,232
Sundry Payments	404,464	-	-	404,464
Total	404,464	2,232	-	406,696
Net on Balance Sheet Position	9,839,500	489,714	158,869	10,488,083

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 balance sheet Position	**2,697,435**	**544,201**	**377,958**	**3,619,594**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

36. 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 31 December 2015 would have impacted on equity and profit or loss by the amounts shown below:

2015	Change in currency	Effect on Profit/loss	Effect on Equity
		GH¢	GH¢
US Dollar	+/-5%	1,867,045/(1,867,045)	1,867,045/(1,867,045)
GB Pound	+/-5%	137,524/(137,524)	137,524/(137,524)
Euro	+/-5%	32,822/(32,822)	32,822/(32,822)

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)

Credit Risk:

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

The table below represents the maximum credit risk exposure to the bank at 31 December 2015,

	2015	2014
	GH¢	GH¢
Past due and impaired	**2,553,468**	6,378,446
Past due but not impaired	**-**	-
Neither past due nor impaired	**19,091,862**	38,322,684
Fair value of collateral	**95,460**	424,400
	21,740,790	45,125,530

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

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

Risk management and reporting systems (Continued)

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

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

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

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

Stressed Testing

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

Provisioning

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

Write-off Policy

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

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

Risk management and reporting systems (Continued)

Compliance Risk:

Compliance risk is defined as the risk of legal sanctions, material financial loss, or loss to reputation the Bank may suffer as a result of its failure to comply with laws, its own regulations, code of conduct, and standards of best practice.
The Bank's Legal & Compliance Department is responsible for establishing and maintaining an appropriate framework of the Bank's compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all departmental heads. However, the Legal & Compliance Department monitors and reports on compliance to RAC through RIC. The Bank generally complied with regulatory requirements.

Reputation Risk

This is the risk of loss arising from adverse publicity which result in the deterioration in or loss of public perception of the Bank. , or as a result of its failure to comply with banking laws, regulations, rules, internal management directives and other codes of conduct/ethics applicable to the banking industry.

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

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

Furthermore, the Board of Directors, through 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 has periodic operational meetings with the Board of Directors and Supervising Managers of the RCBs to address issues where necessary.

Concentration Risk

The key source of funding are from the Rural Banks as a result of its mandate-ARB Apex Bank Limited Regulations, 2006 (L.I 825), the Bank has only one customer type that is the Rural and Community Banks.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

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

Risk management and reporting systems (Continued)

The funding source concentration as at 31-12-2015 is as follows:

Deposit from Rural & Community Banks	GH¢
Reserve placements- 5% of total RCBs	94,382,066
Clearing account (RCB)	54,768,536
ACOD	45,416,000
Short Term Borrowing	9,155,326
Total	**203,721,928**
Total liabilities	**238,093,256**
Concentration Ratio	**85%**

37. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

a. Fair value hierarchy

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

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, The Ghana Stock Exchange). As at 31 December 2015 and 31 December 2014, the Bank did not hold any level 1 financial asset and/or liabilities.

• Level 2 – Inputs other than quoted prices included within Level 2 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). As at 31 December 2015 the bank had investments in RCB's which was fair valued using the Bank of Ghana risk free rate of return. The bank as at 31 December 2014 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 2015 and 31 December 2014 the Bank did not hold any level 3 financial assets and/or liabilities.

2015	Valuations based on observable inputs (This measurements are recurring)			
	(Level 1)	(Level 2)	(Level 3)	Total
Investment in RCBs	-	2,538,519	-	2,538,519
Total assets	-	2,538,519	-	2,538,519

There were no financial assets and liabilities measured at value in 2014.

37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

b Financial instruments by category

2015	Loans and Receivables	Held to Maturity	Total
Financial assets	GH¢	GH¢	GH¢
Cash and balances with central bank	**40,971,315**	-	40,971,315

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

Financial Instruments – Held to maturity	-	**58,698,415**	58,698,415
Cash due from banks	**112,844,555**	-	112,844,555
Loans and advances to customers	**18,756,873**		18,756,873
Other assets excluding prepayments and deferred cost of intervention	14,471,334	-	14,471,334
	187,044,077	**58,698,415**	**245,742,492**

Financial liabilities	**Other financial liabilities at amortised cost**	**Total**
		GH¢
Customer deposits	**208,245,135**	208,245,135
Interest payable and unearned discount	**295,472**	295,472
Accounts payable and other liabilities	**26,956,127**	26,956,127
	235,496,734	**235,496,734**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

2014 Financial assets	Loans and Receivables GH¢	Held to Maturity GH¢	Total GH¢
Cash and balances with central bank	37,854,001	-	37,854,001
Financial Instruments – Held to maturity	-	64,186,629	64,186,629
Cash due from banks	93,314,074	-	93,314,074
Loans and advances to customers	29,173,498		29,173,498
Other assets excluding prepayments and deferred cost of intervention	8,983,901	-	8,983,901
Investment in RCBs – Preference shares	-	2,538,519	2,538,519
	169,325,474	66,725,148	236,050,622

Financial liabilities	Other financial liabilities at amortised cost	Total GH¢
Customer deposits	199,172,156	199,172,156
Interest payable and unearned discount	1,024,060	1,024,060
Post-retirement medical benefit	285,737	285,737
Accounts payable and other liabilities	16,253,680	16,253,680
	216,735,633	216,735,633

(c) Financial instruments not measured at fair value

Cash and bank balances with central bank

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

Cash due from banking banks

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Loans and advances to customers

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

Financial Instruments – Held to maturity

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

Other assets (excluding prepayments)

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

Due to customers

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

Interest payable and other liabilities

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

38. 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 2015 and 2014. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject to.

Item	2015	2014
Paid-up Capital	9,044,290	9,019,690
Disclosed Reserves	30,005,207	27,861,670
Net Tier 1 Capital	39,049,497	36,881,360
Adjusted Asset base	121,767,183	103,756,986
Adjusted Capital as a percentage of Adjusted Asset Base	32%	36%