ANNUAL REPORTS & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER

2021

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GENERAL INFORMATION

Directors	Mr. Samuel K. Otu-Boateng *Chairman* Ambassador Kwabena Baah-Duodu *Vice-Chairman* Dr. Nicholas Aninagyei Yeboah Mrs. Caroline Duncan-Amoah Mr. Benjamin Asante-Ayeh *(Approved on 18/11/2021)* Mr. Amos Oppong Danquah *(Approved on 18/11/2021)* Mr. Stephen Narkotey *(Approved on 18/11/2021)* Mr. Seth Adom Asomaning *(Exited on 7/08/2021)* Mr. Joseph Amoafo Danquah *(Exited on 07/11/2021)*
Registered Office	Bank Building Kibi-Juaso Road, Osino P.O. Box 31 Osino
Bankers	ARB Apex Bank Limited Consolidated Bank Ghana Limited
Independent Auditors	Intellisys No. 2 Lardzeh Crescent North Dzorwulu P.O. Box KN 4169 Kaneshie - Accra
Company Secretary	SECON Consultancy Services Limited

NOTICE OF MEETING

Notice is hereby given that the 33RD Annual General Meeting of the Mumuadu Rural Bank Limited will be held on **Saturday, 1ST October, 2022** at **10:00 a.m.** at the Presbyterian Church Premises, Osino.

AGENDA

1. To receive and adopt the report of the Directors and the Financial Statements for the year ended 31st December, 2021 together with the Independent Auditors Reports thereon.
2. To receive the Directors Report and recommendation for the payment of dividend for the year ended 31st December, 2021.
3. To elect Directors in place of those retiring.
4. To fix and approve Directors' remuneration.
5. To authorize the Directors to fix the remuneration of the Auditors.

SPECIAL RESOLUTION(S)

6. To approve the new Company's Regulations/Constitution.

NOTE:

A member of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not also be a member of the Bank. A proxy form is annexed to the report.

A copy of the proxy form must be completed and deposited at the office of Mumuadu Rural Bank Limited not less than 48 hours before the time appointed for holding the meeting.

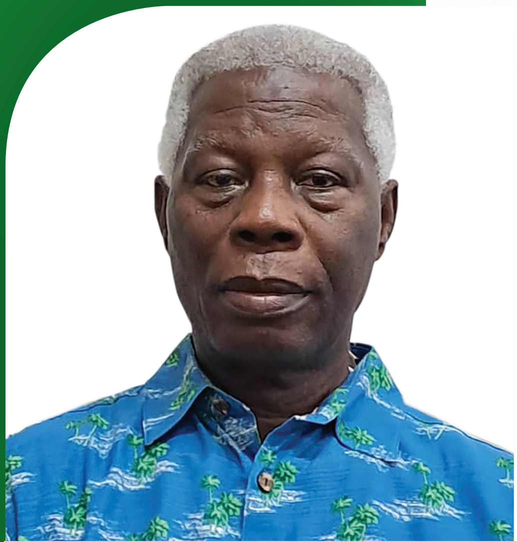
BY ORDER OF THE BOARD

SECON CONSULTANCY SERVICES LIMITED
(COMPANY SECRETARY)

DATED THIS **1ST** DAY OF **SEPTEMBER, 2022.**

SHAREHOLDERS ARE TO PICK COPIES OF THE AUDITED ACCOUNTS AT THE NEAREST BRANCH OF THE BANK.

BOARD MEMBERS & MANAGEMENT



Mr. Samuel Kenneth Otu-Boateng
Chairman

Ambassador Kwabena Baah-Duodu
Vice-Chairman

Dr. Nicholas Yeboah Aninagyei
Director

Mrs. Caroline Duncan-Amoah
Director

MR. BENJAMIN E. ASANTE-AYEH
DIRECTOR

MR. AMOS OPPONG-DANQUAH
DIRECTOR

MR. STEPHEN NARKOTEY
DIRECTOR

Mr. Benedict Akumyire Agabeh
Chief Executive Officer

Mr. Francis Mawunyo Kotoko
Deputy Chief Executive Officer

REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS, MUMUADU RURAL BANK LIMITED

Nananom,
Our Cherished Shareholders,
Fellow Directors,
Distinguished Invited Guests,
Honourable Ladies and Gentlemen of the Fourth Estate,
All protocol observed;

It gives me the greatest pleasure to welcome you to our 33rd Annual General Meeting, which in actual fact, marks the 40th Anniversary of the establishment of the Mumuadu Rural Bank Limited. Members here-present will recognize that some of our very long-serving Directors, are not seated here with me today, but in their place are new men and women, dedicated to serving you and continuing with the excellent work that our predecessors did. We congratulate all the retired and departed Directors for their excellent service to the Mumuadu community. *May I respectfully request that we rise and observe a moment of silence on behalf of the departed*.

THE GHANAIAN ECONOMY

Obviously, the single most important issue that affected our economy was the devastating effect of the COVID-19 pandemic on all aspects of our national life, our Bank not exempted. The COVID-19, coupled with the political atmosphere after the 2020 Elections and the subsequent Budget presentation, affected the nation's financial standing and the rippling effects are still being felt in the changing policy rates that the Bank of Ghana Monitoring Policy Committee continues to issue.

THE BANKING INDUSTRY

The Banking Industry, in general, has also had its share of the COVID-19 fall-out.
Many banks are grappling with challenges that the firms they had supported and financed are facing, resulting in some serious defaults. But in all these, the Central Bank has been up to the task. It has kick-started a Corporate Governance Directive for Rural Banks to ensure Board members are "fit and proper" to be given that fiduciary position and it continues to implement policy guidelines that will serve the best interests of depositors and other stakeholders, and enhance overall corporate performance, accountability and public trust.
For us as a Rural Bank, one of our challenges was and continues to be the competition we face with the universal banks and micro-finance institutions operating in our catchment area.

MUMUADU'S PERFORMANCE

Nananom, our cherished Shareholders, with all that have been said, it must be noted then, that it can only be by the grace of God that Mumuadu is still on its feet, and we are able to report such good out-turn to our cherished customers, as the figures hereunder depict.

PERFORMANCE INDICATOR	2021 GH¢	2020 GH¢	2019 GH¢	2018 GH¢	2017 GH¢
TOTAL INCOME	28,655,633	23,219,206	20,784,320	21,043,154	18,965,142
TOTAL EXPENSE	23,884,186	19,834,849	19,159,145	18,573,587	16,197,065
NET PROFIT (LOSS) BEFORE TAX	4,777,279	3,384,357	1,625,175	2,469,567	2,768,077
CORPORATE TAX	1,235,817	941,556	860,413	691,100	656,759
NET PROFIT (LOSS) AFTER TAX	3,541,462	2,442,801	976,999	1,778,467	2,111,318
DEPOSITS	101,896,826	88,742,036	61,199,035	50,623,642	44,180,309
LOAN	57,674,173	52,019,725	42,468,503	36,707,198	30,580,123
INVESTMENT	43,585,913	33,727,847	20,338,716	19,854,374	18,222,646
TOTAL ASSET	124,226,695	113,830,760	82,783,021	70,133,422	63,388,552
TOTAL ASSET GROWTH (%)	9.13	37.5	18.10	10.64	31.30
STATED CAPITAL	4,041,925	3,921,202	3,921,202	3,921,201	3,872,355
EQUITY	14,582,481	13,477,719	11,222,612	10,149,433	9,489,054
RETAINED EARNINGS	5,152,117	5,003,369	3,330,446	2,597,697	2,667,116

The one area of our concern is that Stated Capital has not been growing at all. In other words, Shareholders are not buying any more shares, despite the fact that whenever the situation allows, we pay good returns.

FINANCIAL PERFORMANCE
SIGNIFICANT GROWTH SECTORS

Financial Performance

1.1.1 TOTAL INCOME

Total earnings increased by **23.41%** from **GH¢23,219,206** in 2020 to **28,655,633** in 2021.

1.1.2 TOTAL EXPENSES

Total Expenses increased by **20.42%** from **GH¢19,834,849** in 2020 to **GH¢ 23,884,186** in 2020.

2.1.3 LIQUIDITY AND CAPITAL ADEQUACY RATIO

a) Primary reserve for the year was **14.29%** above the required ratio of **6%**

b) Secondary reserve pf **37.46%** was above the statutory requirement of **30%** by **7.46%.**

c) The Capital Adequacy ratio of **13.72%** recorded in 2021 with an excess of GH¢769,161 at the end of the financial year. The minimum capital adequacy ratio required by the Bank of Ghana is **10%**.

1.1 TOTAL ASSETS GROWTH

The Bank's total assets at the end of year 2021 increased from **GH¢113,830,760** in 2020 to **GH¢124,226,695** in 2021 indicating **9.13%** increment during the year.

1.2 INVESTMENTS

The Bank increased its short and medium-term as well as investments securities by **29.23%** over the previous year's portfolio from **GH¢33,727,847** in 2020 to **GH¢43,585,913** in 2021.

1.3 LOANS AND ADVANCES

The balance of advances outstanding after provision of bad and doubtful debts increased from **GH¢52,019,725** in 2020 to **GH¢**57,674,173 in 2021. This represents an increase of **10.87%** over 2020 outstanding advances after provision for bad and doubtful debts.

1.4 DEPOSITS

Deposits increased from **GH¢88,742,036** in 2020 to **GH¢101,896,826** in 2021 representing an increase of **14.82%**.

1.5 STATED CAPITAL

Stated Capital increased from **GH¢3,921,202.00** in 2020 and **GH¢ 4,041,925** in 2021 representing an increase of **3.08%**

1.6 SHAREHOLDERS' FUNDS

Shareholders' funds increased from **GH¢ 13,477,719** in 2020 to **GH¢ 14,582,481** in 2021 representing an increase of **8.20%**

PROFIT

The Bank increased its profit before tax from **GH¢3,384,357** in 2020 to **GH¢4,777,279** in 2021. The increase was **41.16%.** Your bank deserves applause.

MICROFINANCE OPERATIONS

The Department increased group loans disbursement by **39.86%** from **GH¢12,159,800** in 2020 to **GH¢17,006,400 in 2021**. Group numbers also increased from **498** in 2020 to **520** in 2021 with a membership of 674 for males and 3,534 for females. The prospects in this sector remain high and it is our expectation that more groups will be formed to access funds under the programme.

CORPORATE SOCIAL RESPONSIBILITY

The Bank spent a total of **GH¢88,599** on various social intervention activities during the year under review.

ELECTION OF DIRECTORS

Dear Shareholders, in the course of this meeting, there will be an election to elect two Directors to replace two from among us whose tenure is about ending. This has become absolutely necessary because we must comply with the Bank of Ghana's policy on Corporate Governance. Those to be elected meet the "fit and proper" criteria set by the Bank of Ghana, in terms of their educational and professional qualifications, background and areas of experience and expertise.

After their election their profiles will be submitted to the Bank of Ghana for final approval before they can assume office as members of the Board. Whilst I wish each contestant the best of luck, I entreat shareholders to vote circumspectly.

EXECUTIVE MANAGEMENT OF BANK

We wish to also bring to your notice that, in compliance with the Bank of Ghana's policy directive on Corporate Governance of Rural Banks, there have been changes in the Executive Management of the Bank since 1st July, 2022. Mr. Benedict Agabeh has retired as the Chief Executive Officer after 24 years of service to Mumuadu Rural Bank. We are grateful for his services and wish him the best in all his future endeavours.
In his place, Mr. Francis Mawunyo Kotoko, who was his Deputy, has been nominated as the new Chief Executive Officer. Mr. Kwadwo Oppong-Agyare, who was until recently the Finance Officer, has also been promoted to the position of Deputy Chief Executive Officer, whilst the former Manager at Kyebi, Mr. Douglas Anarkwa has been appointed the Finance Manager.
We wish the new appointees every success, and pray that they will keep the faith and take the Bank to greater heights.

OUR COLLECTIVE OUTLOOK

At Mumuadu, our aim is to make our Bank the bank of choice in our entire catchment area. Towards this end, we continue to upgrade our Information, Communication & Technology, (ICT), per the equipment we acquire, by digitalizing our operations and by giving requisite training to all categories of our staff.
We are also committed to pursuing sound risk management practices in our operations to minimize exposing the Bank to frauds and bad loans.
Whilst our attention will remain focused on satisfying our loyal local customers, we are also determined to position our Bank to attract the youth and the upper middle class who hitherto did not want to have any dealings with a Rural Bank.

We also believe we show enough care for our staff, and would therefore insist on excellent customer care and quality banking services to you, our cherished customers, so that you will always feel happy to come and do business with us; after all, this is your Bank!

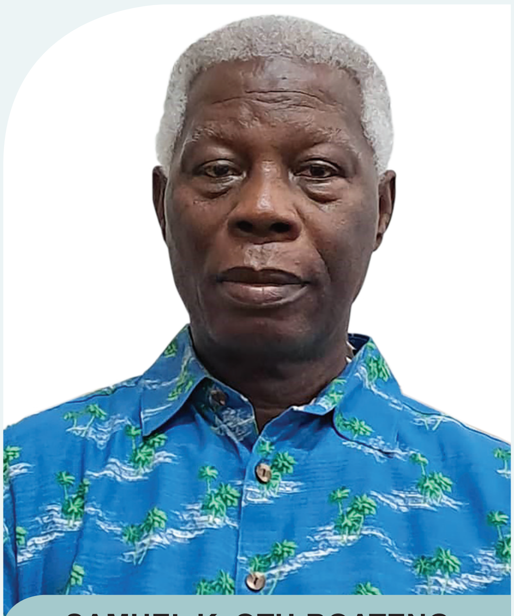
As mentioned at the beginning, this year marks the 40th Anniversary of the establishment of the Mumuadu Rural Bank Ltd. We take this opportunity to salute all the founding fathers and mothers of the Bank who sacrificed and worked so hard to bring the Bank to its current status. We especially wish to remember Messrs J. W. Sackey, Noah Ansa-Dakwa, Kwame Antwi-Obeng, and Seth Adom-Asomaning, who occupied the demanding position of Chairman in the first 40 years of our existence. We salute all past Board members, Management and staff of the Bank. We say **AYEKOO** for the excellent work you have done!!!

Ordinarily, we should have celebrated the 40 years in a grand style, and in fact we even started preparations towards that. Unfortunately, when we looked into the crystal ball, we realized that some of our customers could be facing challenges this year, with all that is happening in the economy, and this could adversely affect our out-turn after the rather very impressive performance of 2021, so we decided to err on the side of caution and avoid any extravagant expenditure, rather than take a risk that could jeopardise the Bank's future and continual growth. So, please forgive us if we are not celebrating the 40th Anniversary the way some would have wished to have it. We hope the proposal to pay dividend, after 3 years of non-payment, will assure you of our good intentions in this matter.

Finally, we want to recognize and appreciate the invaluable support and contribution of our current shareholders, customers, staff, and Directors in the good work done in bringing the Bank thus far.

It is my prayer that the Good Lord will continue to show us His favour in the years ahead.

Thank you and may the Almighty God bless us all.



SAMUEL K. OTU-BOATENG
BOARD CHAIRMAN

REPORT OF DIRECTORS

In accordance with the requirements of section 136 of the Companies Act 2019 (Act 992), we the Board of Directors of Mumuadu Rural Bank Limited submit our report together with the audited financial statements of the Bank for the year ended 31 December 2021.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards as to form and content in the presentation of the statement of financial position, results of operations and business of the Bank, and explain the transactions and financial position of the business of the Bank at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the Bank and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal controls established by the Bank and place considerable importance on maintaining a strong control environment. To enable the Directors meet these responsibilities, the Board sets standards for internal controls aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Bank and all employees are required to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Bank is on identifying, assessing, managing and monitoring all known forms of risk across the Bank. While operating risk cannot be fully eliminated, the Bank endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management that the system of internal controls provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial controls can provide only reasonable, and not absolute, assurance against material misstatements or loss. The going-concern basis has been adopted in preparing the annual financial statements. Based on forecasts and available cash resources, the Directors have no reason to believe that the Bank will not be a going concern in the foreseeable future.

PRINCIPAL ACTIVITY

The Bank is licensed to carry out the business of rural banking in Ghana. There was no change in the nature of the Bank's business during the year.

FINANCIAL RESULTS

The Bank generated a profit after tax of GHS 3,535,630 for the year ended 31 December 2021 (2020: GHS 2,442,801.

GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

EVENTS AFTER REPORTING DATE

The Directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the Bank.

DIRECTORS' INTEREST IN CONTRACTS

To our knowledge none of the Directors had any interest in contracts entered into during the year under review.

AUTHORISED AND ISSUED SHARE CAPITAL

During the current financial year, the total number of ordinary shares issued was 1,871,643 (GHS 568,395). These are yet to be regularised at the Registrar General's Department.

BORROWING LIMITATIONS

In terms of the Regulations of the Bank, the Directors may exercise all the powers of the Bank to borrow money, as they consider appropriate.

DIVIDENDS

An amount of GHS 1,416,584.80 was approved to be paid for 29,168,036 number of shares at GHS 0.04 per share to all shareholders for 2021.

DIRECTORS

The Directors of the Bank during the year and to the date of this report were as follows:

Mr. Samuel K. Otu-Boateng	Chairman
Ambassador Kwabena Baah-Duodu	Vice-Chairman
Dr. Nicholas Aninagyei Yeboah	Member
Mrs. Caroline Duncan-Amoah	Member
Mr. Benjamin Asante-Ayeh	Member
Mr. Amos Oppong Danquah	Member
Mr. Stephen Narkotey	Member

SECRETARY

The Bank's designated secretary is SECON Consultancy Services Limited.

INDEPENDENT AUDITORS

Intellisys were the independent auditors for the year under review. The audit fee payable for the year 2021 was GHS 30,000 (2020: GHS 27,000).

The annual financial statements as set out on pages 19 to 52 were approved by the Board of Directors and signed on their behalf by:

Director **Director**

Date: April 22, 2022

intellisys

Chartered Accountants
No. 2 Lardzeh Crescent
North Dzorwulu
P.O. Box KN 4169
Kaneshie, Accra, Ghana
GPS: GA-196-3610
Phone: +233 (0) 302 502801
Email: info@intellisysgh.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Mumuadu Rural Bank Limited

Report on the Audit of the Financial Statements.

Opinion

We have audited the financial statements of Mumuadu Rural Bank Limited set out on pages 19 to 52, which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), requirements of the Companies Act, 2019 (Act 992) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) issued by the International Ethics Standards Board for Accountants (IESBA), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters (continued)

Key Audit Matter	How we addressed the key audit matter
Impairment provisions onloans and advances to customers (Refer to note 9) Impairment allowances represent management's best estimates of the losses incurred within the loan portfolio at the statement of financial position date. The Directors make judgements over both the timing of recognition of impairment and the estimation of any such impairment. Impairment allowance is calculated on an individual basis for all loans and requires judgement to determine when an impairment event has occurred and then to estimate the expected future cash flows related to that loan. The underlying assumptions are subjective. The risk that the impairment provision on loans and advances may not be adequate to cover the default risk in the loan portfolio has been identified as significant and considered in our audit approach.	**Our audit procedures in this area included among others:** • We updated our understanding of and evaluated key controls within the loan origination, approval, monitoring and recovery processes. • We examined a sample of loans and advances challenging the assumptions for classification of the loans and advances contrary to the Bank of Ghana's prudential guidelines for adequate provisions and classification of loans and advances. • We independently re-performed the calculation of impairment allowance and compared with the Bank's estimate.
Key Audit Matter	**How we addressed the key audit matter**
Short and medium term investments (Refer to Note 15) Bank of Ghana (BOG) and Securities and Exchange Commission (SEC) had revoked the licenses of (386) Financial Institutions and (53) Fund Management Companies respectively in 2019. The Bank had investments with Ideal Capital Partners Limited, Ideal Finance Company Limited, CDH Savings and Loans Company Limited and Blackshield Management Capital (Formerly Gold Coast Fund Management) which had their licenses revoked. The risk that these investments may not be recovered has been identified as significant and considered in our audit approach.	**Our audit procedures in this area included among others:** • We obtained and assessed the claims sheet filed to the appointed receiver. • Checked the claims validated by the receiver. • Checked for any subsequent payments made by the receiver through the bank statement. • Compared amount per the validated claims less any amounts received to amount stated in the client trial balance. • Adjusted for (any) difference so as to ensure that the investment recognised did not exceed the amount validated.

Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors, which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and those charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2019 (Act 992), and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's

report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The Companies Act, 2019, (Act 992) requires that in carrying out our audit we consider and report to you 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 purpose of our audit.
(ii) In our opinion proper books of accounts have been kept by the Bank so far as appears from our examination of those books, and
(iii) The statement of profit or loss and other comprehensive income and the statement of financial position are in agreement with the books of accounts.

The Banks and Specialised Deposit-Taking Institutions Act 2016, (Act 930) section 85(2) requires that we state certain matters in our report.

We hereby state that:

(i) The financial statements give a true and fair view of the state of affairs of the Bank and its results for the year 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 Bank's transactions were within its power: and
(iv) The Bank has generally complied with the provisions in the Banks and Specialised Deposit-Taking Institutions Act 2016, (Act 930) and section 137 of the Companies Act, 2019 (Act 992).
(v) The Bank has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749) as amended, the Anti-Terrorism Act, 2008 (Act 762) and section 137 of the Companies Act, 2019 (Act 992).

The engagement partner on the audit resulting in this independent auditor's report is MyraStella Ansah (ICAG/P/1438)

Intellisys (ICAG/F/2022/078)
Chartered Accountants
No. 2 Lardzeh Crescent
North Dzorwulu, Accra

Intellisys

Dated: April 22, 2022

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

Figures in GHS	Notes	2021	2020
Interest income	4	**24,700,935**	20,142,219
Interest expense	5	**(6,182,230)**	(5,159,388)
Net interest income		**18,518,705**	14,982,831
Fee and commission income	6	**2,976,791**	2,650,408
Fee and commission expense	7	**(360,510)**	(261,085)
Net fee and commission income		**2,616,281**	2,389,323
Other operating income	8	**977,907**	426,579
Operating income		**22,112,893**	17,798,733
Net impairment loss on financial assets	9	**5,832**	(302,664)
Personnel expenses	10	**(9,317,293)**	(7,465,213)
Depreciation and amortisation	11	**(1,190,246)**	(1,100,818)
Other operating expenses	12	**(6,833,907)**	(5,545,681)
Profit before income tax		**4,777,279**	3,384,357
Income tax expense	13	**(1,235,817)**	(941,556)
Profit for the year		**3,541,462**	2,442,801

STATEMENT OF FINANCIAL POSITION

Figures in GHS	Notes	2021	2020
Assets			
Cash and cash equivalents	14	**11,582,855**	15,801,847
Short and medium term investments	15	**20,747,731**	18,513,030
Loans and advances to customers	16	**57,674,173**	52,019,725
Investment securities	17	**22,838,182**	15,214,817
Current taxation asset	28	**176,302**	-
Other assets	18	**3,847,015**	5,583,452
Property, plant and equipment	19	**7,360,437**	6,697,889
Total Assets		**124,226,695**	113,830,760
Equity and Liabilities			
Equity			
Stated capital	20	**4,041,925**	3,921,202
Capital Surplus		**518,801**	518,801
Statutory Reserves	21	**4,798,990**	3,913,624
Deposit for shares	22	**70,648**	120,723
Retained Earnings	23	**5,152,117**	5,003,369
		14,582,481	13,477,719
Liabilities			
Deposits and current accounts	24	**101,896,826**	88,742,036
Borrowings	25	**258,860**	4,436,819
Managed funds	26	**3,139,692**	1,436,703
Dividend	27	**275,920**	288,044
Current taxation liability	28	**-**	174,282
Deferred taxation	29	**147,832**	77,901
Interest payable and other liabilities	30	**3,925,084**	5,197,256
		109,644,214	100,353,041
Total Equity and Liabilities		**124,226,695**	113,830,760

The annual financial statements as set out on pages 19 to 52 were approved by the Board of Directors and signed on their behalf by:

Director

April 22, 2022

Director

April 22, 2022

STATEMENT OF CHANGES IN EQUITY

Figures in GHS	Stated capital	Capital Surplus	Statutory Reserves	Deposit for shares	Retained Earnings	Total
Balance at 1 January 2021 as previously reported	3,921,202	518,801	3,913,624	120,723	5,003,369	13,477,719
IFRS 9 first time application impact	-	-	-	-	(2,507,348)	(2,507,348)
Balance at 1 January 2021 as adjusted	3,921,202	518,801	3,913,624	120,723	2,496,021	10,970,371
Profit for the year	-	-	-	-	3,541,462	3,541,462
Transfer to statutory reserve	-	-	885,366	-	(885,366)	-
Transfer	-	-	-	(50,075)	-	(50,075)
Issue of share capital	120,723	-	-	-		120,723
Balance at 31 December 2021	**4,041,925**	**518,801**	**4,798,990**	**70,648**	**5,152,117**	**14,582,481**
Balance at 1 January 2020	3,921,202	518,801	3,302,924	96,180	3,171,268	11,010,375
Profit for the year	-	-	-	-	2,442,801	2,442,801
Transfer to Statutory Reserve	-	-	610,700	-	(610,700)	-
Shares acquired not registered	-	-	-	-	-	-
Transfer	-	-	-	24,543	-	24,543
Balance at 31 December 2020	**3,921,202**	**518,801**	**3,913,624**	**120,723**	**5,003,369**	**13,477,719**

STATEMENT OF CASH FLOWS

Figures in GHS	Notes	2021	2020
Cash flows from operating activities			
Profit before tax		**4,777,279**	3,384,357
Adjustments for:			
Depreciation of Property, plant and equipment	11	**1,190,246**	1,100,818
Other impairments	9	**(5,832)**	302,664
Loan write-off		**(1,186,325)**	-
Operating cash flow before working capital changes		**4,775,368**	4,787,839
Working capital changes			
Increase in loans & advances	16	**(6,969,637)**	(9,853,886)
(Increase)/decrease in short and medium term investments	15	**(2,234,701)**	1,673,738
(Increase)/decrease in investment securities		**(7,623,365)**	(15,062,869)
(Increase)/decrease in interest payable and other liabilities	30	**(1,272,180)**	1,952,382
Decrease/(increase) in other assets	18	**1,736,438**	(1,788,138)
(Increase)/decrease in customer deposits	24	**13,154,790**	27,543,001
Increase in managed funds	26	**1,702,991**	591,435
Cash generated by operating activities		**3,269,704**	9,843,502
Income tax paid	28	**(1,516,469)**	(824,545)
Net cash from operating activities		**1,753,235**	9,018,957
Cash flows from investing activities			
Property, plant and equipment acquired	19	**(4,183,895)**	(3,082,930)
Transfer of property, plant and equipment	19	**2,331,103**	-
Net cash utilised in investing activities		**(1,852,792)**	(3,082,930)
Cash flows from financing activities			
Capital issued		**70,648**	24,543
Loans repaid	25	**(4,177,959)**	(1,500,000)
Dividends paid		**(12,124)**	(123,433)
Net cash utilised in financing activities		**(4,119,435)**	(1,598,890)
(Decrease)/increase in cash and cash equivalents		**(4,218,992)**	4,337,137
Cash and cash equivalents at beginning of the year		**15,801,847**	11,464,710
Cash and cash equivalents at end of the year	14	**11,582,855**	15,801,847

ACCOUNTING POLICIES

1. General information

Mumuadu Rural Bank Limited is a limited liability Company incorporated and domiciled in Ghana under the Companies Act, 2019 (Act 992). The address of the Bank's registered office is Bank Premises, P. O. Box 31, Kibi-Juaso Road, Osino. The Bank operates with a Banking license that allows it to undertake the business of rural banking. The Bank has 8 registered branches at Osino, Koforidua, Begoro, Kyebi, Nkawkaw, Nsawam, Suhum and New Abirem.

2. Statement of compliance

The annual financial statements of the Bank have been prepared in accordance with the Companies Act, 2019 (Act 992), Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and all applicable International Financial Reporting Standards (IFRS), issued by the international Accounting Standards Board and adopted by the Institute of Chartered Accountants, Ghana.

2.1 Basis of preparation

The annual financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Items included in the annual financial statements are measured using the currency of the primary economic environment in which the Bank operates (functional currency). The Bank's functional currency is the Ghana Cedis (GHS). Financial information presented in Ghana Cedis are rounded to the nearest whole number.

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in note 3.

The estimates and underlying assumptions are reviewed on an ongoing concern basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.3 New standards, amendments and interpretations adopted by the Bank

2.3.1 IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers effective for periods beginning on 1 January, 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (IFRS 9, financial Instruments and IFRS 16, leases).

Revenue under IFRS 15 needs to be recognised as goods and services are transferred, to the extent that the transfer or anticipated entitlement to goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and the corresponding cash flows with customers. Adoption of the IFRS 15 did not have any significant impact on the Bank. The Bank has elected to adopt IFRS 15 using the cumulative effect method, under which the comparative information has not been restated.

2.4 New and amended standards/interpretation issued not yet adopted by the Bank

2.4.1 IFRS 16 Leases

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January, 2018:
The IASB published a new accounting standard on leases namely, Leases (IFRS 16). IFRS 16 takes effect on 1 January, 2019 and will replace IAS 17, Leases (IAS 17). IFRS 16 is envisaged to improve the quality of financial reporting for Companies with material off balance sheet leases. The new standard does not significantly change the accounting for leases for lessors. However it requires lessees to recognise most leases on their balance sheets as lease liabilities, with leases for lessors. However it requires lessees to recognise most leases on their balance sheets as lease liabilities, withthe corresponding right-of-use assets. Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'short- term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss.

2.5 Financial instruments – initial recognition

2.5.1 Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers, deposits due to customers, and borrowings, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises deposits due to customers, and borrowings when funds are transferred to the Bank.

2.5.2 Initial measurement of financial instrument

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

2.5.3 Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

2.5.4 Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised Cost
- Fair value through OCI
- Fair value through profit or loss

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied."

2.6 Determination of fair value

"In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments − Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

- Level 2 financial instruments − Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.

- Level 3 financial instruments − Those that include one or more unobservable input that is significant to the measurement as whole.

The Bank periodically reviews its valuation techniques including the adopted methodologies and model calibrations. The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

2.7 Financial assets and liabilities

2.7.1 Due from banks, Loans and advances to customers, Financial assets at amortised cost

The Bank measures Due from banks (including Cash and Cash equivalents with other banks), Loans and advances to customers and other financial investments at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The details of these conditions are outlined below.

2.7.2 Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2.7.3 The SPPI test

"As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL."

2.7.4 Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short- term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

2.7.5 Debt instruments at FVOCI

The Bank classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

2.7.6 Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument- by-instrument basis. Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

2.7.7 Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercising the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component. The value of any derivative features (such as a call options) embedded in the compound financial instrument, other than the equity component (such as an equity conversion option), is included in the liability component. Once the Bank has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be separately accounted for.

2.7.8 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such 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;

Or

- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;

Or

- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

2.7.9 Financial guarantees, letters of credit and undrawn loan commitments

Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit or loss, and an ECL allowance. The premium received is recognised in the statement of profit or loss in fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

2.7.10 Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

2.8 Derecognition of financial assets and liabilities

2.8.1 Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

2.8.2 Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if 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

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which 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 the Bank could be required to pay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset,the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, 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 derecognition 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 recognised in profit or loss.

2.9 Impairment of financial assets

2.9.1 Overview of the ECL principles

The Bank records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL).

The 12mECL is the portion of LTECLs that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained here in.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2,Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECL.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value

at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

2.9.2 The calculation of ECL

The Bank calculates ECL based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

When estimating the ECL, the Bank considers three scenarios (a base case, an upside, and a downside). Each of these is associated with PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.
Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD discounted by he original EIR.

This calculation is made for each of the three scenarios.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument.
- Stage 3: For loans considered credit-impaired, the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability weighting of the four scenarios, discounted by the credit adjusted EIR.

2.9.3 Debt instruments measured at fair value through OCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

2.9.4 Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

2.9.5 Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:
- GDP growth
- Unemployment rates
- Inflation rates

2.9.6 Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

2.9.7 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement 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

2.10 Investments

Investments are recognised and derecognised on the trade date when the Bank commits itself to purchase or sell an asset and are initially measured at fair value plus, in the case of investments other than trading securities, transaction costs. At each statement of financial position date, the Bank assesses whether there is any objective evidence that an investment or Bank of investments is impaired. Investments are further categorised into the following classifications for the measurement after initial recognition.

2.10.1 Held-to-maturity investments

Investment in debt securities with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity are classified as held-to-maturity investments, which are measured at amortised cost using the effective interest rate method, less impairment losses, if any.

Impairment losses on held-to-maturity investments are recognised in profit or loss when there is objective evidence that an impairment loss has been incurred and are measured as the difference between its carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition.

2.11 Post-employment benefits and short-term employee benefits

2.11.1 Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service on an undiscounted basis.

Accruals for employee entitlement to annual leave represents the present obligation, which the Bank has to pay as a result of employees' services, provided to the reporting date. The accruals have been calculated at undiscounted amounts based on current salary rates.

A liability is recognised for the amount expected to be paid under short term bonuses in the Bank as the Bank has a present legal constructive obligation to pay the amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3. Critical accounting judgements and key sources of estimation uncertainty

The Bank's management makes assumptions, estimates and judgements in the process of applying the Bank's accounting policies that affect the assets, liabilities, income and expenses in the consolidated annual financial statements prepared in accordance with IFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision policy affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Useful lives of property, plant and equipment

The Bank determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The Directors will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non strategic assets that have been abandoned or sold. The rates are set out in note 2.8.

3.2 Income taxation

Income taxation for the year includes current taxation and deferred taxation. Current taxation and deferred taxation are recognised in profit or loss, except to the extent that the taxation arises from a transaction or event which is recognised directly in equity. In the case if the taxation relates to items that are recognised directly to equity, current taxation and deferred taxation are also recognised directly to equity.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the taxation rates and taxation laws that have been enacted or substantively enacted by the statement of financial position date. Current tax is the amount of income tax payable or recoverable in respect of the taxable profit or loss for a period.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively. Temporary differences are the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation bases. Deferred tax assets also arise from unused taxation losses and unused taxation credits.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (taxation loss).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2021	2020
4. Interest income		
Interest on loans	**14,681,922**	12,831,245
Interest on overdraft	**3,520,360**	3,500,686
Interest on investments	**6,498,653**	3,810,288
	24,700,935	20,142,219
5. Interest expense		
Interest on borrowings	**311,490**	473,881
Interest on fixed deposits	**4,623,114**	3,763,031
Interest on savings	**1,247,626**	922,476
	6,182,230	5,159,388
6. Fee and commission income		
Committment fees	**1,778,898**	1,445,234
Committment on remittances	**90,985**	61,321
Other commissions	**1,106,908**	1,143,853
	2,976,791	2,650,408
7. Fee and commission expense		
Cheque clearing fees	**58,222**	54,005
Susu agents commission	**302,288**	207,080
	360,510	261,085
8. Other operating income		
SMS charges	**57,813**	76,446
Bad debt recovered	**110,785**	134,287
Sundry income	**809,309**	215,846
	977,907	426,579
9. Net Impairment loss on financial assets		
Provision no longer required	**(1,192,159)**	2,011,869
Bad debts wriiten off	**1,186,325**	(1,709,205)
	(5,834)	302,664
10. Personnel expenses		
Salaries & Wages	**4,293,124**	4,095,011
Employer`s pension contribution	**614,371**	493,612
Medical expenses	**110,468**	18,547
Staff training	**416,305**	163,865
Bonus	**393,347**	348,913
Long service award	**40,289**	5,000
Other staff cost	**3,449,389**	2,340,265
	9,317,293	7,465,213

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2021	2020

11. Depreciation and amortisation

Depreciation on property, plant and equipment for the year amounted to GHS 1,190,246 (2020: GHS 1,100,818). Refer to note 19 for details.

12. Other operating expenses

	2021	2020
Audit expenses	**28,246**	24,822
Advertising & publicity	**79,828**	94,533
Auditors' remuneration	**30,000**	27,000
Cleaning & Sanitation	**84,909**	73,093
Computer expenses	**386,806**	417,313
Consultancy fees	**73,368**	14,450
Recovery expenses	**49,499**	45,970
Mobilization expenses	**727,755**	599,836
Directors Remuneration	**103,235**	110,750
Donations & Charitable contributions	**88,599**	79,204
Electricity and water	**167,412**	157,540
Entertainment	**74,740**	92,145
Staff durbar	**171,121**	137,670
Generator Running cost	**78,928**	66,669
Insurance	**443,949**	397,709
Legal expense	**40,195**	45,860
Specie movement	**71,226**	63,953
Microfinance expenses	**374,031**	225,254
Housing expenses	**160,882**	159,031
Motor vehicle running cost	**202,386**	152,981
Board meeting expenses	**240,183**	185,865
Business promotion	**109,758**	176,459
Rent, Rates & Levies	**353,757**	349,270
Annual General Meeting	**159,228**	7,668
Postage, Telephone & Telegraph	**50,418**	48,485
Printing and stationery	**222,629**	183,524
Repairs and maintenance	**346,434**	199,533
General expenses	**733,346**	524,490
Police Guard	**435,651**	426,818
Software License & Support	**385,533**	202,175
Subscriptions & Periodicals	**101,348**	89,226
Travelling expenses	**258,507**	166,385
	6,833,907	5,545,681

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2021	2020
13. Income tax expense		
Current tax (note 28)	**1,165,886**	938,307
Deferred tax (note 29)	**69,931**	3,249
	1,235,817	941,556
14. Cash and cash equivalents		
Cash on hand	**3,608,598**	3,251,351
Mobile money	**357,463**	332,182
Clearing account	**1,283,865**	2,112,571
ARB Placement Account	**5,017,906**	4,105,743
	10,267,832	9,801,847
Apex Ceritificate of Deposit (ACOD 7)	**1,300,000**	6,000,000
	11,567,832	15,801,847
15. Short and medium term investments		
Treasury bills	**5,399,981**	4,000,000
Fixed deposits	**15,347,750**	14,513,030
	20,747,731	18,513,030
The fixed deposits are categorized as follows:		
Running investments		
NDK Financial Services Limited	**3,993,547**	2,717,606
Consolidated Bank Ghana Limited	**4,200,548**	3,500,000
ARB Apex Bank Limited	**5,406,192**	-
	13,600,286	6,217,606
Validated under BoG		
CDH Savings and Loans Company Limited	**825,697**	4,660,392
Ideal Finance Company Limited	**-**	4,427,750
	825,697	9,088,142
Validated under SEC		
Gold Coast Fund Management	**921,767**	4,153,511
Ideal Capital Partners	**-**	3,318,750
	921,767	7,472,261
Total Fixed Deposits	**15,347,750**	**22,778,009**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2021	2020

Bank of Ghana (BoG) and Securities and Exchange Commission (SEC) revoked the licenses of 386 Financial Institutions and 53 Fund Management Companies respectively in 2019. The Bank had investments with some companies which were affected by this decision and went through a validation process initiated by BoG and SEC to help recover its investments.

The investments held with Bank of Ghana(BoG) regulated entities have been validated at their full amounts by the Receiver appointed by Bank of Ghana. The total investment with Ideal Finance Company Limited has been recovered with an outstanding balance of GHS 825,697 receivable in respect of the investments held with CDH Savings and Loans Company Limited.

The investments held with companies regulated by the Securities and Exchange Commission (SEC) of Ghana have also been validated at their full amounts. The Bank agreed with the Receiver to use their investment with Gold Coast Fund Management (now Black Shield Asset Fund Management) to offset their loan with GN Bank and the outstanding investment payable to the Bank is GHS 921,767.

16. Loans and advances to customers

	2021	2020
Analysis by product type:		
Loans	**46,432,652**	41,369,337
Overdraft	**14,232,721**	12,326,400
Gross loans and advances	**60,665,373**	53,695,737
Impairment loss	**-**	(1,676,011)
At 1 January	**60,665,373**	52,019,726
IFRS 9 first time application impact	**-**	(2,507,348)
Allowance for impairment	**(2,991,200)**	-
At 31 December	**57,674,173**	49,512,378
Analysis by industry:		
Agric loan	**70,791**	55,642
Commercial loan	**6,726,454**	5,526,236
Corporate loan	**2,507,769**	2,530,134
Managed loan	**1,301,575**	444,150
Microfinance loan	**5,047,493**	1,950,228
Staff loan	**4,819,771**	4,347,868
Personal loan	**25,958,799**	26,515,079
Overdraft	**14,232,721**	12,326,400
Gross loan and advances	**60,665,373**	53,695,736
Impairment loss allowance		
12 months ECL	**(1,427,958)**	(503,824)
Lifetime ECL	**(1,563,242)**	(3,679,535)
Net loans and advances	**57,674,173**	49,512,378

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2021	2020
Other Statistics		
(i) Loan Loss Provision Ratio	**5 %**	3 %
(ii) Gross Non Performing Loans Ratio	**4 %**	4 %
(iii) Twenty (20) Largest Exposures	**24 %**	26 %
Analysis by Type of customers		
Individuals and other private enterprise	**55,845,602**	49,347,868
Staff loan	**4,819,771**	4,347,869
Gross loans and advances	**60,665,373**	53,695,737
Impairment loss	**-**	(1,676,011)
At 1 January	**60,665,373**	52,019,726
IFRS 9 first time application impact	**-**	(2,507,348)
Allowance for impairment	**(2,991,200)**	-
At 31 December	**57,674,173**	49,512,378
Analysis of gross credit portfolio		
A. Stage 1: Performing		
Agric loan	**70,791**	1,500
Commercial loan	**6,726,454**	-
Corporate loan	**2,507,769**	-
Managed loan	**1,301,575**	-
Microfinance loan	**5,023,609**	436,021
Staff loan	**1,932,179**	1,793,862
Personal loan	**17,273,814**	6,753,876
Overdraft	**14,232,721**	12,326,400
	49,068,911	21,311,657
B. Stage 2: Under performing		
Agric loan	**-**	54,143
Commercial loan	**-**	5,526,235
Corporate loan	**-**	2,530,134
Managed loan	**-**	444,150
Microfinance loan	**23,885**	1,514,207
Staff loan	**2,887,593**	2,554,007
Personal loan	**8,684,985**	19,761,203
	11,596,462	32,384,078
C. Stage 3: Non performing	**-**	-
Total (A+B+c)	**60,665,373**	53,695,735

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2021	2020
Expected credit loss allowance		
At 1 January	**4,183,359**	1,373,347
Charged in profit or loss	**-**	302,664
Per audited statement	**4,183,359**	1,676,011
Additional due to IFRS 9 implementation	**(1,192,159)**	2,507,348
At 31 December	**2,991,200**	4,183,359

The table below summarises the analysis of impairment provision on loans and advanced for which an ECL allowance is recognised.

31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Commercial loan	72,134	-	-	**72,134**
Microfinance loan	89,763	466	-	**90,229**
Staff loan	1,602	11,520	-	**13,122**
Personal loan	1,263,994	1,551,722	-	**2,815,716**
Total impairment allowance	**1,427,493**	**1,563,708**	**-**	**2,991,200**

31 December 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Commercial loan	-	109,124	-	**109,124**
Microfinance loan	7,791	29,543	-	**37,334**
Staff loan	1,487	10,189	-	**11,676**
Personal loan	494,546	3,530,679	-	**4,025,225**
Total impairment allowance	**503,824**	**3,679,535**	**-**	**4,183,359**

Loan provisioning/impairment are carried out in accordance with Bank of Ghana Policy as well as the principles of IFRS. Loan impairment losses calculated based on IFRS principles are passed through the statement of comprehensive income. Where provisions per IFRS is more than provisions of Bank of Ghana guidelines, no regulatory credit reserve is required.

When the credit loss provision calculated under IFRS principles is less than what is required under the Bank of Ghana, transfers are made from the income surplus account into the non-distributable regulatory credit reserves.

No credit risk reserve was made in year as IFRS provision is greater than provision under Bank of Ghana guidelines.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2021	2020

17. Investment securities

	2021	2020
ARB Apex Bank Ltd Shares	**151,948**	151,948
Government of Ghana Bonds	**22,686,234**	15,062,869
	22,838,182	15,214,817

At the end of the year, the Bank had investments in Government of Ghana (GoG) Bonds amounting to GHS 22,686,234 (2020: GHS 15,062,869). Below are details of the bonds purchased.

	2021	2020
5yr GoG Bond @ 16.25% (Maturity Date: 07/04/2025)	**5,118,094**	5,057,078
12yr GoG Bond @ 20.50% (Maturity Date: 29/12/2031)	**5,019,891**	5,006,033
12yr GoG Bond @ 20.50% (Maturity Date: 29/12/2031)	**5,001,476**	4,999,758
6yr GoG Bond @19.25% (Maturity Date: 18/01/2027)	**5,578,953**	-
5yr GoG Bond @ 0.00% (Maturity Date: 19/10/2025)	**1,967,819**	-
	22,686,234	15,062,869

Movement	**Shares**	**Value**	2021	2020
Ordinary shares in ARB Apex Bank	44,590	0.045	**2,000**	2,000
Surplus arising on revaluation	-	-	**42,590**	42,590
Bonus shares given	12,044	1.230	**14,814**	14,814
Right issue	80,000	1.157	**92,544**	92,544
	136,634	2.432	**151,948**	151,948

18. Other assets

	2021	2020
Stationery stock	**-**	59,571
Office account	**1,806,187**	1,289,258
Prepayments	**524,190**	632,124
Interest in arrears	**692,674**	-
Accrued interest on investments	**823,964**	3,602,499
	3,847,015	5,583,452

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2021	2020

19. Property, plant and equipment

	Cost	**Accumulated depreciation**	**2021 Carrying value**	Cost	Accumu lated depreciation	2020 Carrying value
Owned assets						
Bank Premises	**3,325,212**	**(107,722)**	**3,217,490**	1,204,430	(241,775)	962,655
Office equipment	**1,740,709**	**(1,059,220)**	**681,489**	2,091,084	(1,372,422)	718,662
Motor vehicles	**1,505,674**	**(1,039,947)**	**465,727**	1,505,674	(764,259)	741,415
Furniture and fixtures	**748,003**	**(287,880)**	**460,123**	1,009,360	(590,554)	418,806
Land	**250,650**	**-**	**250,650**	250,650	-	250,650
Computers	**1,639,873**	**(596,037)**	**1,043,836**	1,788,377	(1,080,188)	708,189
T24 Banking Software	**385,054**	**(57,758)**	**327,296**	385,054	(19,253)	365,801
Motor Bikes	**395,815**	**(323,348)**	**72,467**	403,055	(268,155)	134,900
Work In Progress	**841,359**	**-**	**841,359**	2,396,811	-	2,396,811
	10,832,349	**(3,471,912)**	**7,360,437**	11,034,495	(4,336,606)	6,697,889

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	Additions	Transfers	Depreciation	2021 Carrying value at end of year
Owned assets					
Bank Premises	962,655	2,326,604		(71,769)	3,217,490
Office equipment	718,662	250,514		(287,687)	681,489
Motor vehicles	741,415	-		(275,688)	465,727
Furniture and fixtures	418,806	191,515		(150,198)	460,123
Land	250,650	-		-	250,650
Computers	708,189	639,611		(303,964)	1,043,836
T24 Banking Software	365,801	-		(38,505)	327,296
Motor Bikes	134,900	-		(62,435)	72,467
Work In Progress	2,396,811	775,651	(2,331,103)	-	841,359
	6,697,889	4,183,895	(2,331,103)	(1,190,246)	7,360,437

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS				2021	2020
	Carrying value at beginning of year	Additions	Disposals	Depreciation	2020 Carrying value at end of year
Owned assets					
Bank Premises	1,004,013	-	-	(41,357)	962,656
Office equipment	984,808	58,113	-	(324,259)	718,662
Motor vehicles	317,454	687,148	-	(263,187)	741,415
Furniture and fixtures	210,754	352,750	-	(144,698)	418,806
Land	235,150	15,500	-	-	250,650
Computers	412,927	539,418	-	(244,156)	708,189
T24 Banking Software		385,054	-	(19,253)	365,801
Motor Bikes	148,310	50,498	-	(63,908)	134,900
Work In Progress	1,402,362	994,449	-	-	2,396,811
	4,715,778	3,082,930	-	(1,100,818)	6,697,890

20. Stated capital

(a) Authorised

Ordinary shares	49,875,000	49,875,000
Preference shares	125,000	125,000
	50,000,000	50,000,000

(b) Issued	**No. of shares**		**Stated**	**Stated**
	2021	2020	**Capital**	**Capital**
Balance at 1 January	**28,991,153**	28,991,153	**3,921,189**	3,921,189
Additions	**51,883**	-	**120,723**	-
Transfers	**-**	-	**-**	-
Preference shares	**125,000**	125,000	**13**	13
	29,168,036	29,116,153	**4,041,925**	3,921,202

(c) There were no unpaid liabilities on any share and there were no calls or instalments unpaid.

(d) There are no treasury shares.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2021	2020
21. Statutory Reserves		
Balance at 1 January	**3,913,624**	3,302,924
Transfer for the year (25% of profit)	**885,366**	610,700
Balance before adjustment	**4,798,990**	3,913,624
Balance at 31 December	**4,798,990**	3,913,624

22. Deposit for shares

This represents 1,871,643 (2020: 383,823) ordinary shares purchased by prospective shareholders amounting to GHS 70,648 (2020: GHS 120,723). These would be added to stated capital once the registration process is completed at the Registrar Generals Department.

23. Retained Earnings		
Balance at 1 January	**5,003,369**	3,171,269
Profit/(loss) for the year	**3,541,462**	2,442,801
IFRS 9 first time application impact	**(2,507,348)**	-
Transfer to statutory reserve	**(885,366)**	(610,700)
	5,152,117	5,003,369

The Bank adopted IFRS 9, provison for impairment loss on loans and advances in 2020 but the implementation in the financial statements was effected in 2021. After the excersise, provision for impairment loss on the loans and advances was understated per the Bank of Ghana guidelines. This as a result gave rise of an additional provision for impairment loss on loans and advances by GHS 2,507,348. The difference was adjusted through the statement of changes in equity under retained earnings as IFRS 9 first time application impact. IAS 8 Changes in Accounting Policy, Estimates and Errors requires that prior year error should be accounted for retrospectively.

24. Deposits and current accounts		
Demand Deposits	**21,326,185**	17,727,009
Savings Deposits	**37,260,651**	34,426,054
Time/Fixed Deposits	**32,466,592**	26,932,955
Susu Deposits	**10,843,398**	9,656,018
	101,896,826	88,742,036

Ten (10) Largest depositors to total deposit ratio	**13 %**	10 %

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2021	2020
25. Borrowings		
ARB Apex Loan	**-**	1,250,000
KFW ATM Loan (Apex Bank)	**258,860**	546,819
GN Bank Loan	**-**	2,640,000
	258,860	4,436,819

The Bank used the receipt of its investments in Gold Coast Fund Management (Note 15) to settle its loan obligations to GN Bank.

26. Managed funds		
Rural Enteprise programme	**2,641,945**	1,408,569
United Nation Development Programme grant	**497,747**	-
Social Investment fund	**-**	9,347
Okyeman Endowment fund	**-**	4,160
MOWAC loan	**-**	10,000
Planting for Food and Jobs	**-**	163
MASLOC loan	**-**	4,464
	3,139,692	1,436,703

United Nations Development Programme fund was a grant given to the Bank in the year 2005. The fund was granted to Mumuadu Rural Bank to on-lend to the rural communities within the Bank's catchment area to reduce poverty. The excess after the programme was given to the Bank as grant to fund the operations of the Bank.

27. Dividend		
Balance at 1 January	**288,044**	411,477
Proposed for the year	**-**	-
Payment during the year	**(12,124)**	(123,433)
Balance at 31 December	**275,920**	288,044

28. Current taxation liability

	Balance at January	**Paid during the year**	**Profit or Loss account**	**Balance at December**
	GHS	**GHS**	**GHS**	**GHS**
2018	165,394	-	-	**165,394**
2019	(104,874)	-	-	**(104,874)**
2020	113,762	-	-	**113,762**
2021	-	(1,516,469)	1,165,886	**(350,583)**
	174,282	**(1,516,469)**	**1,165,886**	**(176,301)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2021	2020
29. Deferred taxation		
At 1 January	**77,901**	74,652
Charge for the year	**69,931**	3,249
At 31 December	**147,832**	77,901

Figures in GHS	2021	2020
30. Interest payable and other liabilities		
Unearned interest on investments	**-**	1,425,567
Office account	**1,490,449**	1,679,791
Accrued interest	**1,338,950**	1,097,379
Loan Risk Fund	**-**	141,306
Ezwich holding	**-**	132,690
Other payables	**1,095,684**	720,523
	3,925,083	5,197,256

Unearned interest on investments were investments purchased at discounts. These discounts are initially recorded as liability/ deferred income. As the life of the investments progress, proportionate part of the interest is removed from the liability and recognised as income until the lifespan of the investment.

The Bank during the year under review purchased their invesments at a premium which interest earned is accrued until maturity.

The loan risk fund was used to offset part of the write-off the Bank did. Refer to (Note 16, impairments).

31. Contingent liabilities

No known contingent liabilities existed at 31 December 2021 that would have a material effect on the results of the financial statements as set out on pages 19 to 52 or the continued existence of the Bank as a going concern.

32. Event after the reporting period

No events occurred during the year 31 December 2021 and the date the Directors approved the financial statements that would have a material impact on the results as disclosed in the financial statements as set out on pages 19 to 52 or the continued existence of the Bank as a going concern.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2021	2020

33. Related party transactions

In the ordinary course of business, the Bank gives loans to Board of Directors and Staff.

The total amount of outstanding balances of related parties during the year are as follows:

	GHS	GHS
Key management staff	**1,929,241**	1,237,517
Other Staff	**2,890,530**	2,485,343
	4,819,771	3,722,860

The total remuneration of Directors and other members of key management staff including allowances during the year are as follows:

Directors	**103,235**	110,750
Key management staff	**1,360,425**	794,832
	1,463,660	905,582

34. Capital commitments

The Bank has commitments towards the renovation of a building for staff and a banking structure at Osino and New Abirem respectively. At 31 December 2021, total work done to date and held as capital work in progress amounted to GHS 871,990 (2020: GHS 2,396811).

35. Going Concern

The Directors believe that the Bank will be a going concern in the year ahead. For this reason we continue to adopt the going concern basis in preparing the annual financial statements.

36. Corporate Social Responsibilities

Amounts spent in fulfilling corporate social responsibilities for the year under review amounted to GHS 88,599 (2020: GHS 79,204)

The activities included donations towards the Independence Day celebrations at Osino, Educational Sponsorships, Osino Zonal Sports Association and Funeral Rites of some individuals in the Osino community.

37. Regulatory Disclosures

i) *Non-performing loans*
Percentage of gross non-performing loans (sub-standard to loss) to total credit/advances portfolio (gross) was 4% (2020: 4.27%)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in GHS	2021	2020

ii) *Amount of loans written off*
A total loan of GHS 1,186,325 was written off during the year (2020: GHS Nil).

iii) *Breaches in statutory liquidity*
The Bank complied with all requirements with respect to statutory liquidity.

iv) *Liquidity Ratio*
The Bank's liquidity ratio at the end of 2021 was 31.73% (2020: 38%)

v) *Capital Adequacy Ratio*
The Bank's capital adequacy ratio at the end of 2021 was 15% (2020: 14.24%).

38. Minimum paid up capital

According to Section 28 of the Banks and Specialised deposit-Taking Institutions Act 2016 (Act 930), the Bank has met the minimum paid up capital of Rural Banks of GHS 1,000,000.

Computation of paid-up capital according to Section 28 (3) includes the following:

Ordinary share capital	**4,041,925**	3,921,202
Statutory reserve	**4,798,990**	3,913,624
Retained earnings	**5,152,117**	5,003,369
Deposit for shares	**70,648**	120,723
	14,063,680	12,958,918

Section 33 of Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) states that any Bank which fails to meet the minimum capital requirement is liable to pay to the Bank of Ghana a penalty of one-half per mille of the difference between the capital that the entity should have maintained and the level of capital actually maintained by the entity for each day that the default continues.

39. Approval of annual financial statements

These financial statements were approved by the Board of Directors and authorised for issue on

April 22, 2022

VALUE ADDED STATEMENT

Figures in GHS	**2021**	2020
Interest earned and other operating income	**27,677,726**	22,792,627
Direct cost of service	**(13,273,412)**	(10,855,404)
Value added by banking services	**14,404,314**	11,937,223
Non-banking income	**977,907**	426,579
Impairments	**5,832**	(302,664)
Value added	**15,388,053**	12,061,138
Distributed as fellows:		
To employees		
Directors (Without executives)	**(103,235)**	(110,750)
Other employees	**(9,317,293)**	(7,465,213)
Total	**(9,420,528)**	(7,575,963)
To Government		
Income tax expense	**(1,235,817)**	(941,556)
To expansion and growth		
Depreciation and amortization	**(1,190,246)**	(1,100,818)
Income surplus	**3,541,462**	2,442,801

SHARE STRUCTURE

LIST OF TOP 20 SHAREHOLDERS	%	Number of shares
RBF Ltd.	16.33	4,742,103
Doris Arkorful	5.49	1,594,020
K. Peasah Boadu	5.25	1,525,552
Prince Kofi Amoabeng	4.8	1,393,911
Mumuadu Com. Services	2.42	703,936
Okyere Agyekum Kofi	1.2	349,779
Dr.Seth Adu	1.18	343,829
Noah Ansa-Dakwa	1.09	315,753
Kwabena Baah Duodu	1.07	311,998
Osei Leticia	0.84	244,029
Ntow Kofi Ebenezer	0.74	215,036
Otu Boateng Samuel K.	0.67	195,260
Prof. Robert Addo Fening	0.66	190,894
I. A. Duodu	0.58	169,732
Samuel Ofosu Ampofo	0.47	136,725
Agabeh Benedict Akumyire	0.47	136,273
Obese Emmanuel Osei	0.45	131,726
Kotoko M. Francis	0.45	129,525
Seth Adom-Asomaning	0.44	127,997
Naa Odey Asante	0.44	127,104
Others	54.96	15,957,854
Grand Total	**100**	**29,043,036**

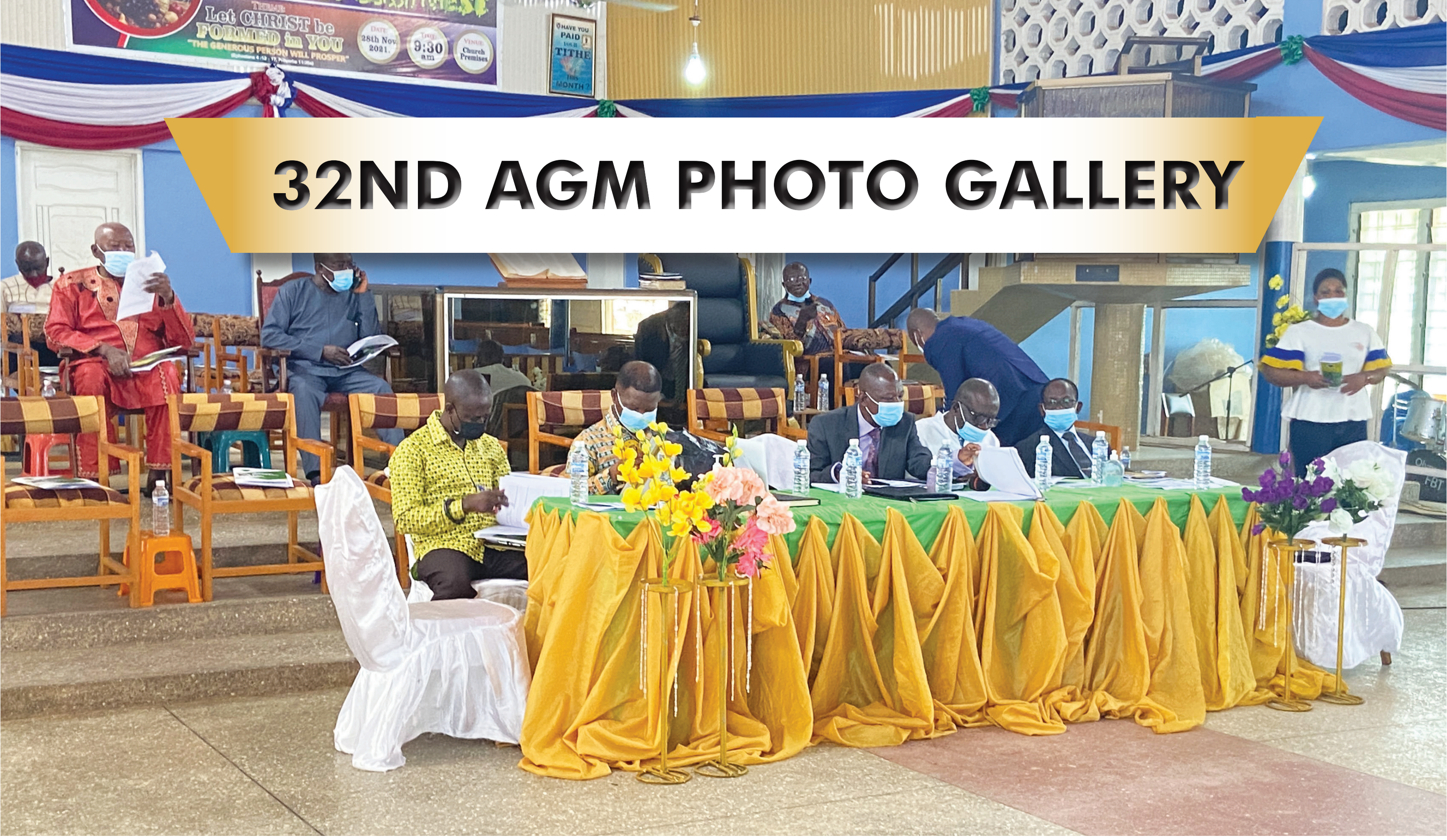
SHARE STRUCTURE

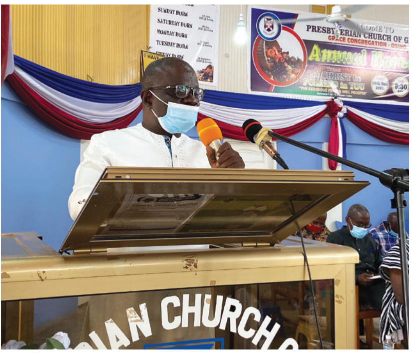
Analysis of shareholding as at 31 December 2021

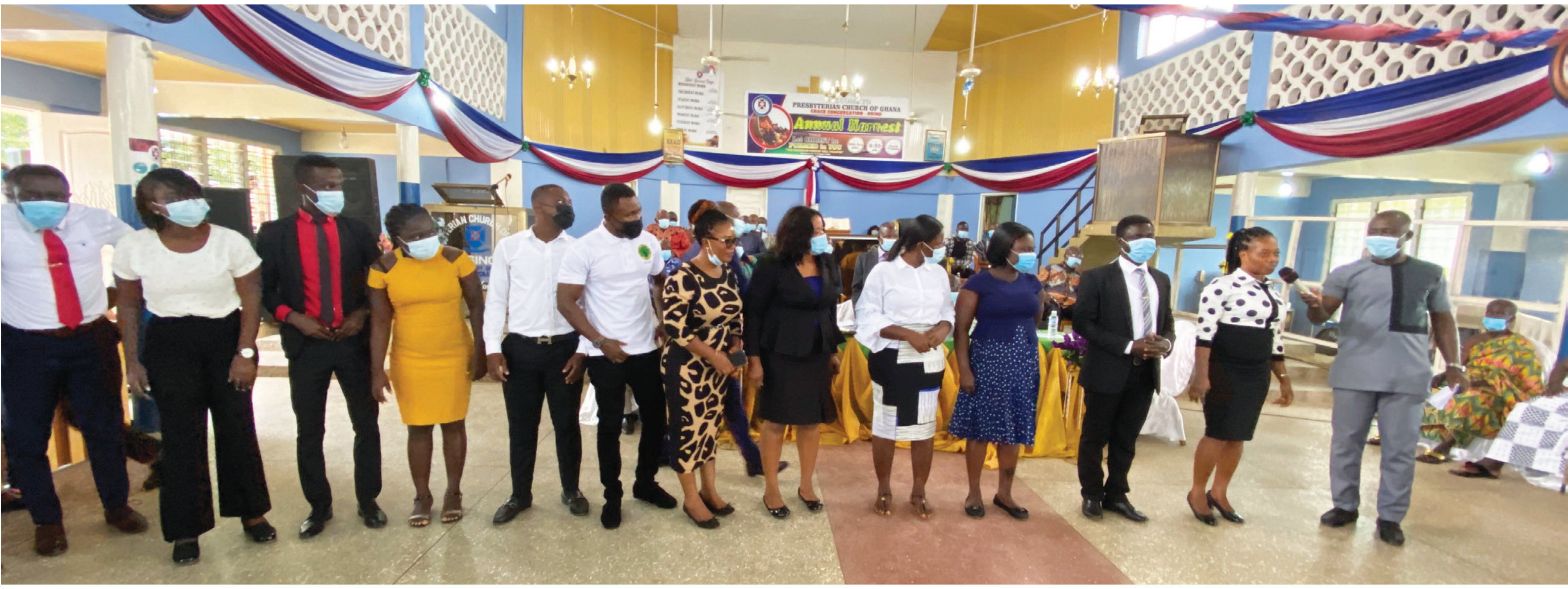
Category	No. of shareholders	Number of Shares	% Holding
1 - 50,000	2,655	12,074,497	42 %
50,001-100,000	47	3,220,710	11 %
100,001- 1,000,000	22	4,492,243	15 %
1,000,000 and over	4	9,255,586	32 %
	2728	**29,043,036**	**100 %**

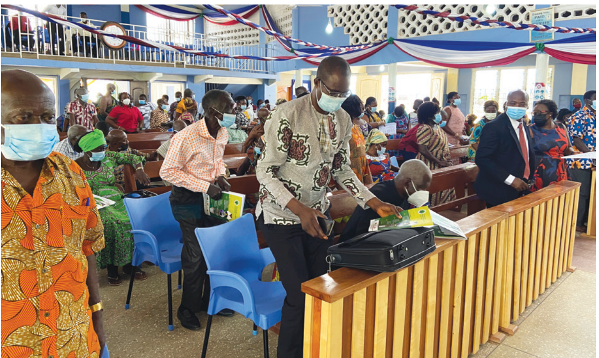
Directors shareholding	Certificate No.	% Holding	No of shares
Kwabena Baah Duodu	SH31301535	1.07	311,998
Otu Boateng Samuel K.	SH31301982	0.67	195,260
Aninagyei Nicholas Yeboah	SH31300582	0.18	51,396
Duncan-Amoah Caroline	SH31302391	0.14	40,491
Narkotey Stephen	SH31302666	0.03	10,000
Oppong Danquah Amos	SH31302645	0.03	8,333
Asante Ayeh Benjamin	SH31302661	0.01	3,333
		2.14	**620,811**

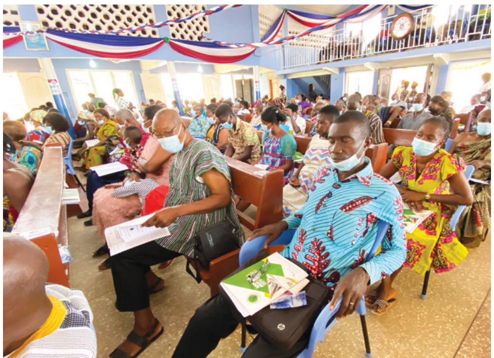
32ND AGM PHOTO GALLERY

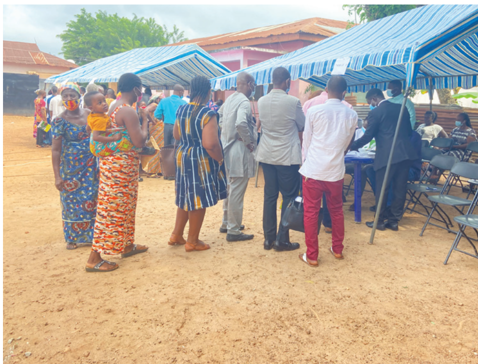


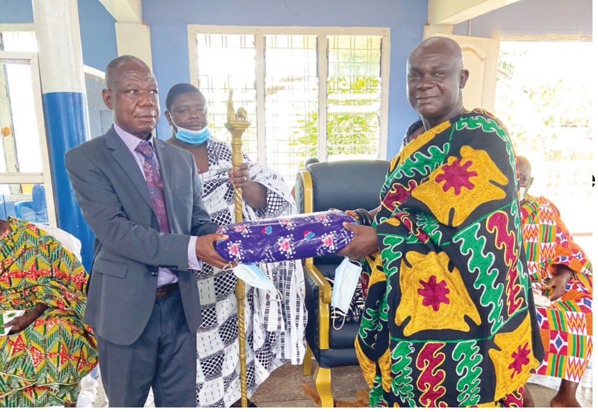
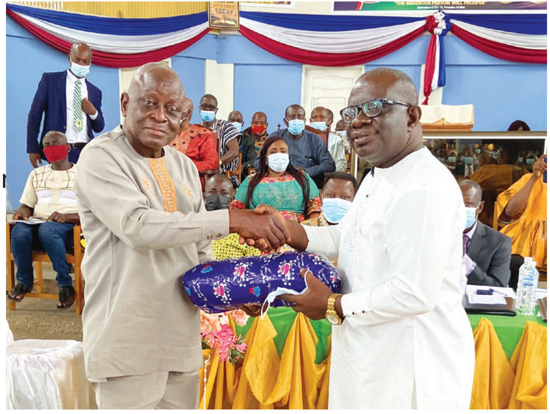
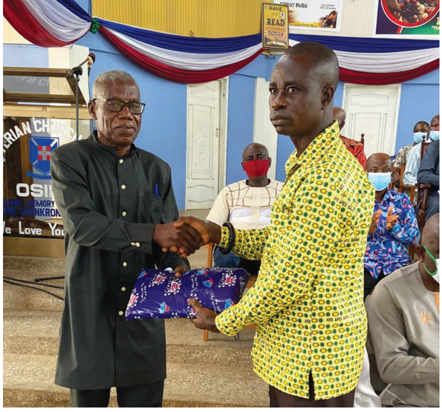
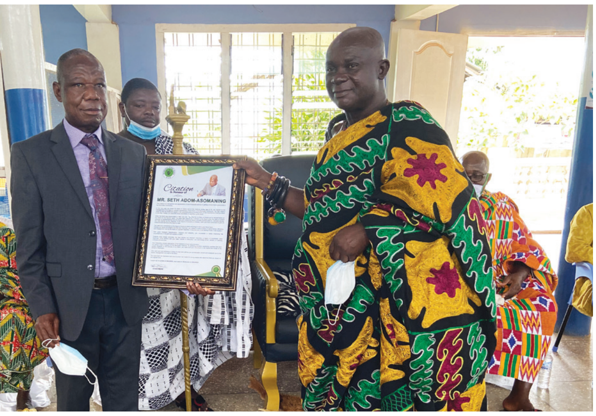
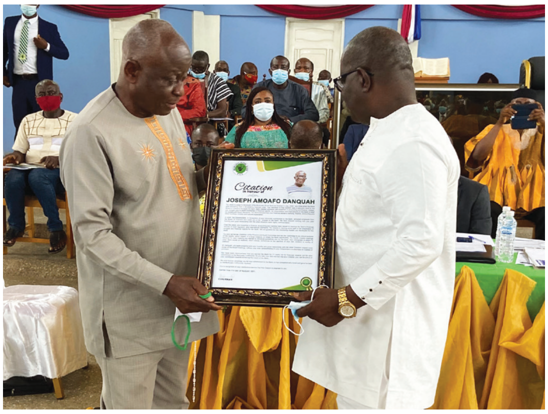








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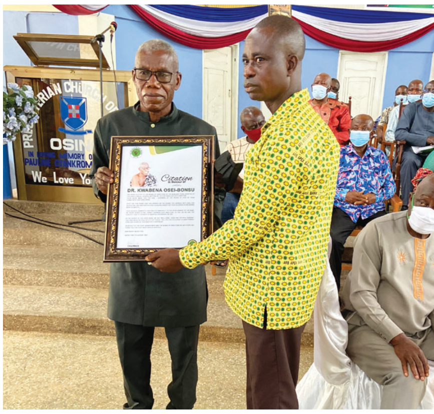
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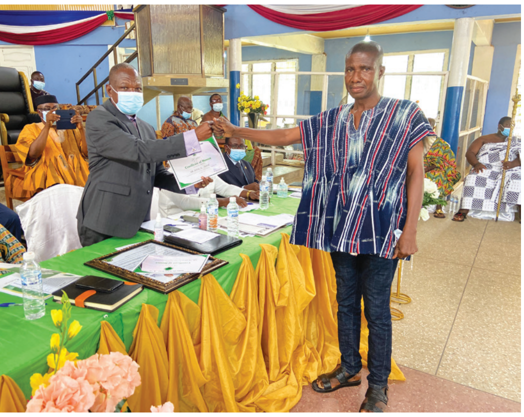
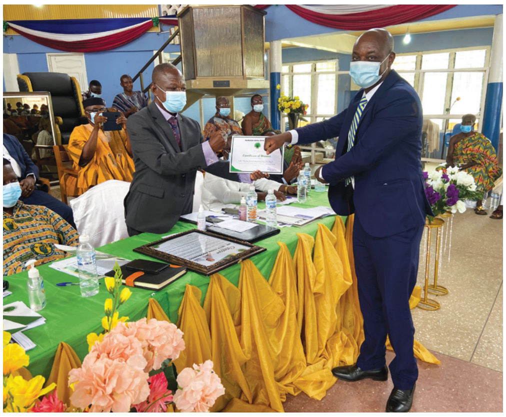

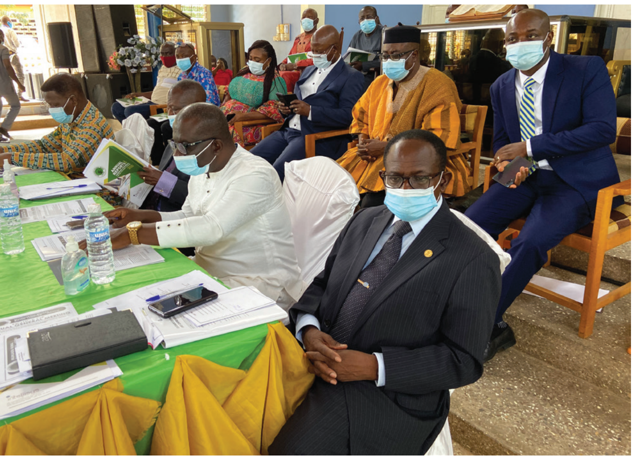
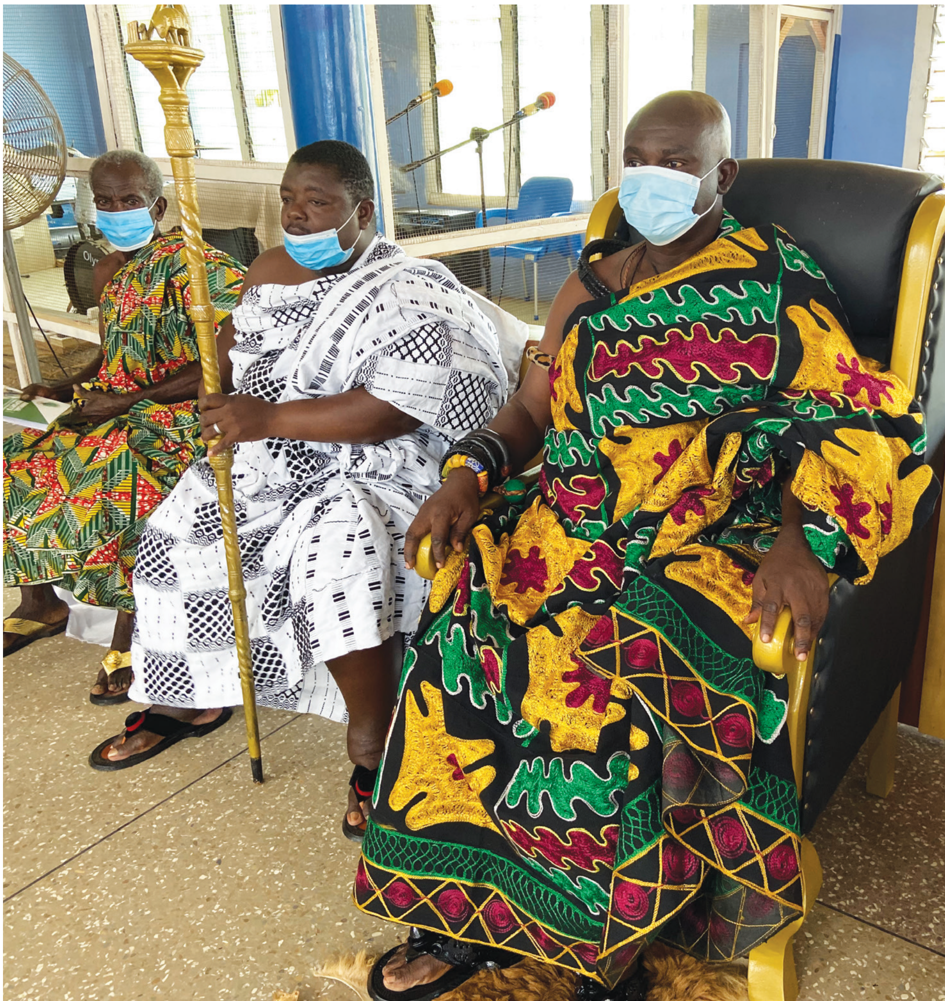
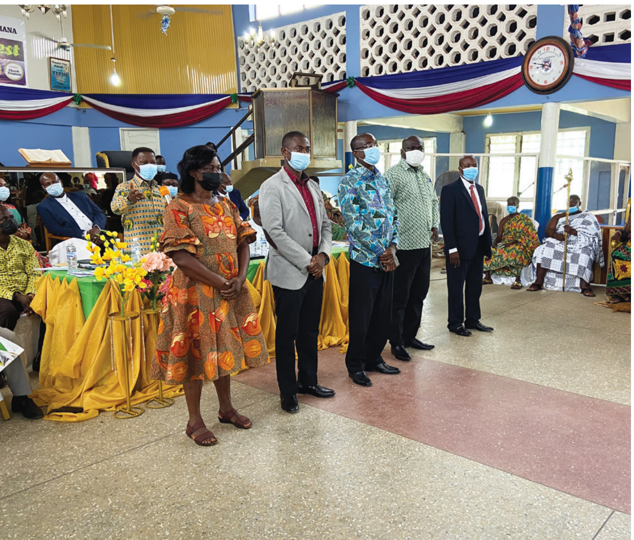

MUMUADU RURAL BANK LIMITED
PROXY AUTHORISATION

I/We.. of ....

Being a member/members, hereby appoint ....

of .... or failing him/her ....

of ....

As my/our proxy to vote on my/our behalf at the Annual General Meeting of Mumuadu Rural Bank Limited to be held on .... at .... and any adjournment thereof.

Signed: ....

This .... day of ....