# SINAPI ABA SAVINGS AND LOANS COMPANY LIMITED

# ANNUAL REPORT

# 2023

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## GENERAL INFORMATION

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|---|---|
| **DIRECTORS** | Kwasi Attah-Antwi<br>Jacob Bempong<br>Anthony Gyasi-Fosu<br>Grace Elizabeth Loney<br>Anke Luckja<br>John Kwame Koduah |
| **REGISTERED OFFICE** | House No. 22A<br>Ellis Avenue, Nhyiaeso<br>P. O. Box 4911, Kumasi, Ghana |
| **AUDITORS** | Donaldy Associates<br>Chartered Accountants<br>House of Excellence Annex<br>Harper Road, Adum – Kumasi<br>P. O. Box KS 6608, Kumasi |
| **SOLICITORS** | John Kwame Koduah<br>Twere Nyame Chambers<br>P. O. Box 4591, Kumasi, Ghana |
| **BANKERS** | Agricultural Development Bank Limited<br>Amantin and Kasei Community Bank Limited<br>United Bank for Africa (Ghana) Limited<br>GCB Bank Limited<br>Ecobank Ghana Limited<br>SG Bank Limited<br>Cal Bank Limited<br>ARB Apex Bank Limited<br>Universal Merchant Bank Limited<br>Bank of Africa Limited<br>Republic Bank Limited<br>Zenith Bank Limited<br>Consolidated Bank Ghana Limited<br>Fidelity Bank Limited<br>First Atlantic Bank Limited<br>Universal Merchant Bank |

**REPORT OF THE DIRECTORS**
**TO THE MEMBERS OF**
**SINAPI ABA SAVINGS AND LOANS COMPANY LIMITED**

The Directors have the pleasure of presenting to you their report together with the financial statements of Sinapi Aba Savings and Loans Company Limited for the year ended 31 December 2023.

## 1. Directors' responsibility statement

The directors are responsible for the preparation of the financial statements for each financial year, which gives a true and fair view of the state of affairs of the company. In preparing the financial statements, the directors have selected suitable accounting policies, applied them consistently, made judgments and estimates that are reasonable and prudent and have followed the International Financial Reporting Standards (IFRS) and the provisions of the Companies Act, 2019 (Act 992) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

Under the Companies Act, 2019 (Act 992), the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of their profit or loss for that period. In preparing the company's financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with International Financial Reporting Standards and in a manner required by the Companies Act, 2019 (Act 992);
- Assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the company or cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act, 2019 (Act 992). They are responsible for such internal controls as they determine what is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## 2. Nature of business

Sinapi Aba Savings and Loans Company Limited is a private limited liability company registered and incorporated under the Companies Act, 2019 (Act 992) and regulated by the provisions of the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) to carry on the business of savings and loans in Ghana.

### 3. Related party transactions

Information regarding directors' interests in ordinary shares of the Company and remuneration is disclosed in notes 33 and 34 of the financial statements. The company in addition to the directors is also related to Sinapi Aba Trust.

### 4. Results of operations

The results of the year are set out in the attached financial statements, highlights of which are as follows:

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| The company recorded a net profit before taxation of | 3,764,287 | 1,104,775 |
| From which is deducted income tax expense of | (181,813) | (896,039) |
| Giving a net profit after tax of | 3,582,474 | 208,736 |
| There was a transfer to the statutory reserve fund of | (1,791,237) | (104,368) |
| Leaving a profit for the year after tax and transfer to the reserve fund of | 1,791,237 | 104,368 |
| When added to the opening balance on income surplus a/c as at 1 January | (11,979,783) | (10,622,482) |
| From which is transferred to credit risk reserve of | (1,625,258) | (1,461,669) |
| Leaving a closing balance on the income surplus account of | **(11,813,804)** | **(11,979,783)** |

### 5. Dividend

The directors do not recommend the payment of dividends for the current year in line with Bank of Ghana directive (Notice No. BG/GOV/SEC/2019/03) holding all savings and loans companies not to declare and pay dividends.

### 6. Unclaimed dividend account

In accordance with the Companies Act, 2019 (Act 992) any unclaimed dividend for a period of three months will be transferred to an interest-bearing account. The unclaimed dividend together with the accrued interest thereon will be transferred to the Registrar within a further period of twelve months. There was no unclaimed dividend during the year.

### 7. Corporate social responsibility

The company as part of its contribution to corporate social responsibility for the year spent GH¢84,000 providing technical support to youth at various branches through the Sinapi Aba Youth Apprenticeship Program and a borehole to St. Louis Senior High School.

**8. Going concern**

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least twelve months from the date of this statement.

**9. Auditors**

The audit fees payable during the year can be found in Note 11 of the financial statements. The Auditors, Donaldy Associates Chartered Accountants, will continue in office in accordance with Section 139 (5) of the Companies Act, 2019 (Act 992) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

**10. Events after the reporting date**

The board confirms that no matter has arisen since 31st December, 2023 which materially affects the financial statements as presented.

**11. Approval of the financial statements**

The financial statements were approved by the board of directors on 17th April, 2024 and were signed on their behalf by the following directors:

| | |
|---|---|
| ............................................ | ............................................ |
| **Kwasi Attah-Antwi** | Anthony Gyasi-Fosu |
| **(Board Chairman)** | **(Director)** |

## CORPORATE GOVERNANCE OVERVIEW

Sinapi Aba Savings and Loans Company Limited operates in accordance with the principles and practices on corporate governance guided by the Corporate Governance Directive of December 2018 and the Fit and Proper Persons Directive 2019 issued by the Bank of Ghana, as well as the Code of Best Practices in Corporate Governance, which is largely based on the Organization for Economic Corporation and Development (OECD) principles of corporate governance.

The objectives of the company's governance are:

i. To enable the company, to undertake licensed business in a sustainable manner;
ii. To promote the interest of depositors and other stakeholders by enhancing performance and accountability;
iii. To promote and maintain public trust and confidence; and
iv. To maximize shareholders' value and interest.

These objectives have been articulated in a number of corporate documents, including the company's regulations, a board charter, rules of procedures for boards, a code of conduct for directors, and rules of business ethics for staff.

**The Board of directors**

The board is responsible for setting the company's strategic direction, leading and controlling the institution and monitoring activities of the executive management. As of 31 December 2023, the board of directors of Sinapi Aba Savings and Loans Company Limited consisted of four (4) Non-Executive Directors and one (1) Executive Director. This is in compliance with section 29 of the Corporate Governance Directive. The board members have wide experience and in-depth knowledge in management, industry, technology and financial markets which enables them to make informed decisions and valuable contributions to the company's progress. The Board met five (5) times including Annual General Meeting during the year, which met the minimum required meetings per section 39 of the Corporate Governance Directive.

**Schedule of board meetings held in 2023**

Attendance at the meetings is as follows:

| Member | Board Meeting |
|---|---|
| Kwasi Attah-Antwi | 5/5 |
| Jacob Bempong | 5/5 |
| Grace Elizabeth Loney | 5/5 |
| Anke Luckja | 5/5 |
| John Kwame Koduah | 5/5 |
| Anthony Gyasi-Fosu | 5/5 |

The board has overall responsibility for the company, including approving and overseeing the implementation of the strategic objectives, risk strategy, corporate governance, and corporate values. According to section 15 of the Fit and Proper Directive; the Board is responsible for appointing and providing oversight of senior management and ensures a well-structured and rigorous selection process in line with the fit and proper directive is in place.

**The Board and its committees**

The board is accountable for the long-term success of the company and it is responsible for ensuring leadership, approving strategy, and ensuring that the company is suitably resourced to achieve its strategic aspirations. In doing so, the board considers its responsibilities to, and the impact of its decisions on its stakeholders including shareholders, employees, customers, suppliers, the environment, and the communities the company operates.

The board also delegates certain responsibilities to its committees to ensure its independent oversight. In addition, the board also delegates authority for the operational management of the company to the Managing Director, General Manager and Management in respect of matters which are necessary for the day-to-day running of the company.

The board remains very diverse with a distinctive mixture of backgrounds, experience and skills. Risk and governance, shareholder and stakeholder relationships, strategy and budget, financial performance oversight, business development and people were some of the key activities the board focused its time on during the year as it provided guidance to management in steering the company.

**Board roles and key responsibilities**

**Chairman**

The Chairman is responsible for leading the Board and its overall effectiveness and governance, promoting a high standard of integrity, and ensuring effective communication between the board, management, shareholders, and other stakeholders.

**Chief executive officer**

The Chief Executive Officer is responsible for managing all aspects of the company's businesses, developing strategies in conjunction with the chairman and the board and leading its implementation.

**Board of directors**

The Board enquires the success of the company by setting the strategic direction, establishing the risk appetite, and continuously monitoring and improving the board's performance so as to protect depositors' interests and enhance shareholders' value.

**Board committees**

The board made a conscious decision to delegate a broader range of issues to the Board Committees, namely Finance/Risk, Audit, and Credit. The linkages between the Committees and the Board are critical for the smooth running of the company. The board duly received minutes and updates from each of the committee's meetings throughout the reporting period. The company has an effective mechanism in place to ensure that there are no gaps or unnecessary duplication between the remit of each committee.

**Finance/risk committee**

The Finance/Risk Committee is mandated to assist the board in providing strategic direction for the company and see to the implementation of the company's strategy. It also reviews the financial, operational, and business performance of the company and makes recommendations to the board on ways to improve the performance of the company. The Committee reviews the company's capital structure and annual capital plan, including its capital adequacy and capital planning process, stress-testing and related activities, capital raising, and capital distributions, and recommend to the board for approval of the annual capital plan and capital management policy. Again, it reviews the annual budget and makes recommendations for the board's approval.

Also, the committee is mandated to review and approve the company's risk policies, set a risk appetite or tolerance and strategy including Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) within which management is required to develop business strategy or plans, objectives and targets for achievement. The Committee advises the Board on the recommended risk strategy or appetite within which its business is to be conducted. Again, the committee oversees and advises the board on the current risk exposures of the company and future risk strategy.

**Schedule of finance/risk committees meeting held in 2023**

Attendance at the meeting is as follows:

| Member | Committee Meeting |
|---|---|
| Grace Elizabeth Loney-Chairman | 3/3 |
| Anke Luckja | 3/3 |
| Jacob Bempong | 3/3 |

**Audit committee**

The board audit committee is mandated to assist the board in discharging its responsibilities of safeguarding the company's assets, maintaining adequate accounting records, developing and maintaining effective systems of internal control, and monitoring the company's compliance with applicable regulations and legislation. The Committee provides a report to the Board at each meeting of the board.

**Schedule of audit committee meetings held in 2023**

Attendance at the meetings is as follows:

| Member | Committee Meeting |
|---|---|
| Anke Luckja-Chairman | 3/3 |
| Jacob Bempong | 3/3 |
| Grace Elizabeth Loney | 3/3 |

**Credit committee**

The credit committee has oversight responsibilities on behalf of the board for the approval of credit facilities for the company. The role of this committee includes but is not limited to the following: considering and approving specific loans above the management credit committee's authority limit, as determined by the board from time to time; reviewing the management credit committee's authority level as and when deemed necessary and recommending new levels to the board for consideration; conducting quarterly review of credits granted by the company to ensure compliance with the company's internal control systems and credit approval procedures; reviewing the company's internal control procedures in relation to credit risk assets and ensuring that they are sufficient to safeguard the quality of the company's risk assets. The credit committee is made up of independent directors and all members are non-executive directors.

**Schedule of credit committee's meeting held in 2023**

Attendance at the meetings is as follows:

| Member | Committee Meeting |
|---|---|
| Jacob Bempong-Chairman | 3/3 |
| Grace Elizabeth Loney | 3/3 |
| Anke Luckja | 3/3 |

**Code of conduct**

As part of the company's corporate governance practice, management has communicated the principles of the company's code of conduct to all employees. The code of conduct provides a basic framework and guidance for behaviour and business conduct. The code of conduct also serves as a reference point in all aspects of employee's working relationships with other employees, customers, suppliers, government officials, regulators, joint venture partners, competitors, and the broader community.

**Recruitment, induction and training of new directors**

Individuals selected to be members of the board have an appropriate diversity of skills and come from professional backgrounds necessary to provide the needed direction for the company. All new directors to the board are provided with a letter of appointment stating clearly the terms that shall govern their appointment after all the necessary regulatory approvals have been received with respect to the changes. The term of the directors is governed by the Bank of Ghana corporate governance directives, which limits the maximum period of service for the chairperson to six years and the other members to nine years. New board members participate in a comprehensive induction program covering the company's financial, strategic, operational and risk management overviews.

**Board qualifications and composition**

In accordance with section 23 of the Directive, all board members are qualified for the position and remain qualified through training, for their positions. They have a clear understanding of their role in corporate governance and are able to exercise sound and objective judgement about the affairs of the company. They also possess, individually and collectively, appropriate experience, competencies and personal qualities, including professionalism and integrity.

**Remuneration structure**

Non-executive directors receive fixed fees for serving on the board and its sub-committees in line with approval from shareholders at the annual general meetings.

**Board performance evaluation**

The board hereby certifies that it has complied with sections 46 & 48 of the Directive on board performance evaluation.

**Business strategy**

In the year under review, the board approved and monitored the overall business strategy of the company, taking into account the long-term financial interest of the company, its exposure to risk, and its ability to manage risk effectively. This was in line with section 13 of the Directive.

**Risk management and internal controls**

The board has put an effective internal control system in accordance with sections 65 and 67 of the Directive and has risk management in place. The Key Management Personnel holding these roles have sufficient authority, stature, independence, resources and access to the board. Internal controls have been designed to ensure that each key risk has a policy, process, or other measure, as well as a control to ensure that such policy, process, or other measure is being applied and works as intended.

In accordance with section 68 of the Directive, the company also has a Chief Internal Auditor who has no involvement in the day-to-day activities and business line responsibilities of the company. He has the professional competence to collect and analyze financial information as well as evaluate audit evidence and communicate with the stakeholders of the internal audit function. He possesses sufficient knowledge of auditing techniques and methodologies reports directly to the audit committee and has direct access to the board. The board recognizes the importance of external auditors as vital to the corporate governance process and has engaged the services of Donaldy Associates, Chartered Accountants, an independent, competent and qualified external auditor, to undertake this function.

**Key management oversight**

In accordance with sections 18 and 63 of the Directive, the board ensures the activities of Key Management Personnel are consistent with the business strategy and policies approved by the Board, including the risk tolerance/appetite. The board has established a management structure that promotes accountability and transparency and oversees the implementation of appropriate systems for managing risks – both financial and non-financial - to which the company is exposed. The company has engaged skilled and competent staff and provides training and development opportunities to sustain the delivery of short and long-term business objectives and the risk management framework that protects the reputation of the company.

**Policy for succession management and the current talent pool for key management personnel**

Section 17 of the Directive, directs the company to continue to pursue a robust talent and succession management process, knowing that our success is hinged on our ability to attract and retain the best talent in the industry, whilst maintaining a bench strength that ensures seamless leadership continuity. The company promotes a culture of regularly reviewing and refreshing the succession pipeline to align with the fluid nature of the current talent landscape. Business Unit Heads have been empowered to own the succession management process end-to-end in their respective businesses. Executive Management's sponsorship and oversight of the process have ensured accountability from Business Heads across the company. Our succession planning process prioritizes all critical roles at all levels in the organization; to ensure business and leadership continuity.

**Corporate culture and values**

The company has established a corporate culture and values that promote and reinforces norms for responsible and ethical behaviour in terms of the company's risk awareness, risk-taking, and risk management in accordance with section 15 of the Directive. This is achieved by the company through its board members setting and adhering to corporate values for itself. Key management and employees also create expectations that business should be conducted in a legal and ethical manner at all times. The corporate values, and professional standards it sets together with supporting policies and appropriate sanctions for unacceptable behaviour are communicated to all employees.

**Related party transactions**

The board has in place policies and procedures to ensure that all related party transactions are carried out at arm's length in accordance with section 16 of the Directive and in accordance with the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930). This is intended to ensure that there is no favourable treatment given to a related party. Therefore, in any connected transactions, the company ensures all the necessary approvals are obtained prior to the execution of the transaction.

**Separation of powers**

There is clearly in place a division of responsibilities between the positions of the board chair and the Chief Executive Officer in accordance with section 19 of the Directive.

**Conflict of interest**

The company's directors have a statutory duty not to place themselves in a position that gives rise to a real or substantial possibility of conflict of interest or duty in relation to any matter which is or is likely to be brought before the board. At no time during the year did any director hold a material interest in any contract of significance with the company. The board reviews actual or potential conflicts of interest annually.

**Anti-money laundering**

The company has established an anti-money laundering system in compliance with the requirements of the Anti-Money Laundering Act 2020 (Act 1044). These include due diligence for opening new accounts, customer identification, monitoring of high-risk accounts, record keeping, and training of staff on money laundering which assist in reducing regulatory and reputational risk to its business.

**Compliance declaration**

The board declares that the company has complied with the corporate governance directive for Savings and Loans companies.

DA
Donaldy Associates
Chartered Accountants
House of Excellence Annex
Adum - Kumasi

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**
**SINAPI ABA SAVINGS AND LOANS COMPANY LIMITED**
**ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2023**

**Opinion**
In our opinion, the financial statements present fairly, in all material respects, the financial position of Sinapi Aba Savings and Loans Company Limited as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) with the International Accounting Standard (IAS) 29 directive issued by the Institute of Chartered Accountants Ghana (ICAG) and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

**What we have audited**
We have audited the financial statements of Sinapi Aba Savings and Loans Company Limited for the year ended 31 December, 2023. The financial statements comprise:

- Statement of financial position as at 31 December 2023;
- Statement of profit or loss and other comprehensive income for the year then ended;
- Statement of changes in equity for the year then ended;
- Statement of cash flows for the year then ended;
- Notes to the financial statements, including a summary of significant accounting policies.

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

**Independence**
We are independent of the company in accordance with the International Code of Ethics for Accountants (including International Independence Standards) (the Code) issued by the International Ethics Standard Board for Accountants (IESBA) and we have fulfilled our ethical responsibilities in accordance with that Code.

**Key audit matters**
Key audit matters are those matters that, in our professional judgment, 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.

For each matter below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures including the procedures performed to address the matter below provide the basis for our audit opinion on the accompanying financial statements.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>

**(a) Impairment of loans and advances in line with IFRS 9 Financial Instruments and related disclosures**

IFRS 9 introduced a forward-looking Expected Credit Loss (ECL) model.

The ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.

The amount of ECL recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition of impairment could be done on a 12-month expected credit loss or Lifetime expected credit loss. Impairment computations under IFRS 9 therefore involve the use of models that take into account:

- The probability-weighted outcome.
- Reasonable and supportable information that is available without undue cost or Loan loss provision is a key area of judgment for management. Significant judgments in the determination of the company's Expected Credit Loss include:
- Use of assumptions in determining ECL modeling parameters.
- Portfolio segmentation for ECL computation
- Determination of a significant increase in credit risk and
- Determination of associations between macroeconomic scenarios.

The use of different modeling techniques could produce significantly different estimates of loan loss provisions.

</td><td>

We obtained an understanding of the credit risk modeling methodology.

We validated and tested the ECL model of the company by assessing the data integrity and internal controls around the model.

We also performed, among others, the following substantive audit procedures:

- Reviewed the accounting policies and framework methodology developed by the company in order to assess its compliance with IFRS 9:
- Verified sampled underlying contracts of financial assets to determine the appropriateness of management's classification and measurement of these instruments in the ECL model.
- Reviewed and tested the methodology developed to calculate loan loss provision under IFRS 9 concentrating on aspects such as factors for determining a 'significant increase in credit risk', staging of loans, testing specific models related to Probability of Default (PD), Loss Given Default (LGD).
- Exposure at Default (EAD):
- Tested the completeness of data used in modeling the risk parameter,
- Recalculated the ECL, testing forward-looking information / multiple economic scenario elements.
- For stage 3 exposures, we tested the reasonableness assumptions underlying the impairment identification and quantification including a forecast of future cash flows, valuation of the underlying collateral,

</td></tr>
</table>

| | |
|---|---|
| Due to the complexity of the requirements of IFRS 9 with regards to the classification and measurement, its impact on the financial position as at 31 December 2023 and the significance of related disclosures, we considered it as key audit risk and therefore paid attention to its processes, data gathering and effect on related disclosures.<br>Further disclosures relating to these amounts and the company's accounting policies regarding estimating these ECLs have been disclosed in the notes to the financial statements. | estimated period of realization for collaterals, etc. |
| **Adequacy of regulatory credit risk provisioning**<br>In addition to IFRS impairment rules, the Bank of Ghana has specific rules and guidelines governing regulatory provisions as disclosed in the notes to the financial statements. Unlike IFRS impairment rules, however, regulatory provision rules are more deterministic and triggered mainly by the number of days a facility has been in default.<br><br>The excess of regulatory provisions over IFRS impairment allowance is recognized directly in equity as a credit risk reserve.<br><br>Regulatory credit risk provisions represent a key risk area for the company, as misstatements in the carrying amount of this balance could have a significant impact on the company's financial statements including the accuracy of its capital adequacy computations, the amount of reserves that are distributable and other key industry performance indicators. | We assessed the systems and related controls instituted by management to ensure the accurate determination of these provisions.<br><br>We reviewed the process for ageing and categorization of the various loans.<br><br>We tested a sample of these provisions based on our overall risk assessment of this account. |

**Other information**

The Directors are responsible for the other information. The other information comprises the Director's report as required by the Companies Act, 2019 (Act 992) and the chairman's report, corporate governance overview, financial highlights, value-added statements, and shareholders' information 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 an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors for the financial statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2019 (Act 992), the Bank and Specialized Deposits-Taking Institutions Act, 2016 (Act 930) and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**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 misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control;

- 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 company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the company's ability to continue as a going concern, 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 company to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  We communicated 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 control that we identified during our audit.

  We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be brought to bear on our independence, and where applicable, related safeguards.

  From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report.

**Report on other legal and regulatory requirements**

The Companies Act, 2019 (Act 992) requires that in carrying out our audit we consider and report on the following matters. We confirm that;

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
ii) In our opinion, proper books of account have been kept by the company so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received;
iii) The company's statement of financial position and the statement of profit or loss and other comprehensive income are in agreement with the books of account;
iv) As auditors, we are independent of the company pursuant to Section 143 of the Companies Act, 2019 (Act 992)

The Bank and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) under Section 85 (2) requires that we report on certain matters. Accordingly, we state that:

i) The accounts give a true and fair view of the statement of affairs of the company and the result of operations for the year under review;
ii) We were able to obtain all the information and explanations required for the efficient performance of our duties;
iii) The transactions of the company are generally within the powers of the company;

iv) The company has generally complied with the provisions of the Anti-Money Laundering Act, 2020 (Act 1044), the Anti-Terrorism Act, 2008 (Act 762) and the regulations made under these enactments;

v) The company has generally complied with the provisions of the Banks and Specialized Deposit-Taking Institutions Act, 2016, (Act 930).

The Engagement Partner on the audit resulting in this independent auditor's report is Dr. Robert Donaldy (ICAG/P/1113).

Donaldy Associates

18th April, 2024

Donaldy Associates (ICAG/F/2024/100)
Chartered Accountants
House of Excellence Annex
Adum, Kumasi, Ghana

**SINAPI ABA SAVINGS AND LOANS COMPANY LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

| | Notes | 2023<br>GH¢ | 2022<br>GH¢ |
|---|---|---|---|
| Interest income | 4 | 115,713,363 | 84,980,491 |
| Interest expense | 5 | (46,128,601) | (35,489,620) |
| **Net interest income** | | **69,584,762** | **49,490,871** |
| | | | |
| Fees and commission income | 6 | 4,056,038 | 2,305,912 |
| Other operating income | 7 | 3,392,023 | 6,945,371 |
| **Total fees, commission and other income** | | **7,448,061** | **9,251,283** |
| | | | |
| Operating income | | 77,032,823 | 58,742,154 |
| Allowance for expected credit losses on financial assets | 8 | (3,367,371) | (747,881) |
| **Operating income net of expected credit losses** | | **73,665,452** | **57,994,273** |
| | | | |
| Personnel expenses | 9 | (30,556,374) | (25,472,183) |
| Depreciation and amortization | 10 | (5,180,994) | (3,580,401) |
| Other operating expenses | 11 | (34,163,797) | (27,836,914) |
| **Total Operating Expenses** | | **(69,901,165)** | **(56,889,498)** |
| | | | |
| **Profit before income tax** | | **3,764,287** | **1,104,775** |
| | | | |
| Income tax expense | 12 | (181,813) | (896,039) |
| | | | |
| **Profit after tax expense** | | **3,582,474** | **208,736** |
| | | | |
| **Other comprehensive income, net of income tax** | | | |
| Re-measurement of (loss)/profit on defined benefit plan | 27 | (460,135) | 631,217 |
| **Total comprehensive income for the period** | | **3,122,339** | **839,953** |
| | | | |
| **Earnings per share:** | | | |
| Basic and diluted earnings per share (GH¢) | 13 | **0.11** | **0.01** |

The notes form an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2023

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Assets** | | GH¢ | GH¢ |
| Cash and cash equivalents | 14 | 43,417,355 | 26,274,861 |
| Investment securities | 15 | 76,496,740 | 34,720,393 |
| Loans and advances to customers | 16 | 333,483,089 | 239,444,686 |
| Other assets | 17 | 6,354,677 | 8,179,523 |
| Current tax assets | 18 | 4,512 | 47,591 |
| Deferred tax assets | 19 | 1,196,916 | 1,190,515 |
| Intangible assets | 20 | 1,999,568 | 1,416,572 |
| Rights of use assets | 21 | 6,307,894 | 5,446,185 |
| Property, plant and equipment | 22 | 6,517,764 | 4,506,178 |
| **Total assets** | | **475,778,515** | **321,226,504** |
| | | | |
| **Liabilities** | | | |
| Bank overdrafts | 23 | 1,773,104 | 6,057,472 |
| Deposits from customers | 24 | 348,375,972 | 218,894,546 |
| Borrowings | 25 | 78,424,616 | 60,895,244 |
| Other liabilities | 26 | 15,798,627 | 7,696,752 |
| Employee benefit obligation | 27 | 680,328 | 78,961 |
| **Total liabilities** | | **445,052,647** | **293,622,975** |
| | | | |
| **Equity and reserves** | | | |
| Stated capital | 28 | 33,500,000 | 33,500,000 |
| Income surplus | | (11,813,804) | (11,979,783) |
| Other reserve | 29 | (390,398) | 69,737 |
| Statutory reserve fund | 30 | 6,343,143 | 4,551,906 |
| Credit risk reserve | 31 | 3,086,927 | 1,461,669 |
| **Total equity and reserves** | | **30,725,868** | **27,603,529** |
| | | | |
| **Total liabilities and equity and reserves** | | **475,778,515** | **321,226,504** |

The financial statements were approved by the Board of Directors on 17th April, 2024 and were signed on their behalf by the following Directors:

| | |
|---|---|
| ................................................ | ................................................ |
| **Kwasi Attah-Antwi** | Anthony Gyasi-Fosu |
| **(Board Chairman)** | **(Director)** |

The notes form an integral part of these financial statements

**SINAPI ABA SAVINGS AND LOANS COMPANY LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

| | Stated Capital | Income Surplus | Other Reserve | Credit Risk Reserve | Statutory Reserve | Total |
|---|---|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| **2023** | | | | | | |
| **As at 1 January** | **33,500,000** | **(11,979,783)** | **69,737** | **1,461,669** | **4,551,906** | **27,603,529** |
| **Movement during the year:** | | | | | | |
| Profit for the year | - | 3,582,474 | - | - | - | 3,582,474 |
| Issue of shares | | - | - | - | - | - |
| Transfer to statutory reserve | - | (1,791,237) | - | - | 1,791,237 | - |
| Transfer to credit risk reserve | - | (1,625,258) | - | 1,625,258 | - | - |
| Other comprehensive income | - | - | (460,135) | - | - | (460,135) |
| **Balance as at 31 December** | **33,500,000** | **(11,813,804)** | **(390,398)** | **3,086,927** | **6,343,143** | **30,725,868** |
| **2022** | | | | | | |
| **As at 1 January** | **25,500,000** | **(10,622,482)** | **(561,480)** | **-** | **4,447,538** | **18,763,576** |
| **Movement during the year:** | | | | | | |
| Profit for the year | - | 208,736 | - | - | - | 208,736 |
| Issue of shares | 8,000,000 | - | - | - | - | 8,000,000 |
| Transfer to statutory reserve | - | (104,368) | - | - | 104,368 | - |
| Transfer to credit risk reserve | - | (1,461,669) | - | 1,461,669 | - | - |
| Other comprehensive income | - | - | 631,217 | - | - | 631,217 |
| **Balance as at 31 December** | **33,500,000** | **(11,979,783)** | **69,737** | **1,461,669** | **4,551,906** | **27,603,529** |

The notes form an integral part of these financial statements.

**SINAPI ABA SAVINGS AND LOANS COMPANY LIMITED**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

| | Notes | 2023 | 2022 |
|---|---|---|---|
| **Operating activities** | | GH¢ | GH¢ |
| **Profit for the year before tax** | | **3,764,287** | **1,104,775** |
| Non-cash items adjustments: | | | |
| **Adds:** | | | |
| Depreciation and amortization | | 3,362,954 | 2,073,875 |
| Profit on sale of property, plant and equipment | | (42,900) | (31,539) |
| Allowance for expected credit losses on financial assets | | 3,367,371 | 747,881 |
| Net cash from operating activities before working capital changes | | 10,451,712 | 3,894,992 |
| Change in loans and advances to customers | | (94,174,540) | (49,727,183) |
| Change in investment securities | | (44,644,663) | 514,713 |
| Change in other assets | | 1,723,046 | 5,316,512 |
| Change in deposit from customers | | 129,481,426 | 39,698,707 |
| Change in other liabilities | | 8,101,874 | (2,910,608) |
| Change in employee benefits obligation | | 141,232 | (112,079) |
| Change in right-of-use assets | | (861,709) | (606,305) |
| Tax paid | 18a | (145,135) | (1,194,788) |
| **Net cash flows from/(used in) operating activities** | | **10,073,244** | **(5,126,039)** |
| | | | |
| **Investing activities** | | | |
| Proceeds from sale of property, plant and equipmen | 22d | 42,900 | 31,539 |
| Purchase of intangible assets | | (1,618,936) | (1,206,378) |
| Purchase of property, plant and equipment | | (4,338,599) | (1,838,888) |
| **Net cash used in investing activities** | | **(5,914,635)** | **(3,013,727)** |
| | | | |
| **Financing activities** | | | |
| Issue of shares | | - | 8,000,000 |
| Change in borrowings | | 17,529,372 | 13,329,818 |
| **Net cash flows from financing activities** | | **17,529,372** | **21,329,818** |
| | | | |
| Increase in cash and cash equivalents | | **21,687,981** | **13,190,052** |
| Cash and cash equivalents as 1 January | | 20,217,389 | 7,031,232 |
| Less impairment provision | | (261,119) | (3,895) |
| **Cash and cash equivalents as at 31 December** | 32 | **41,644,251** | **20,217,389** |

The notes form an integral part of these financial statements.

## 1. CORPORATE INFORMATION

The financial statements of Sinapi Aba Savings and Loans Company Limited for the year ended 31 December 2023 were authorized for issue in accordance with a resolution of the Board of Directors. The registered office is House No. 22A Ellis Avenue, Nhyiaeso, P. O Box 4911, Kumasi, Ghana. The company is authorized to carry out the business of micro-financing as well as savings and loans services.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements of Sinapi Aba Savings and Loans Company Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standard Board (IASB) and in a manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

### 2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis except otherwise stated.

### 2.3 Functional and presentational currency

The financial statements are presented in Ghana Cedis, which is the company's functional and presentational currency.

### 2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, equity, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the notes.

### 2.5 New standards effective from 1 January 2022

The following standards which became effective from 1 January 2022 do not have a material effect on the company's financial statements.

**a. Onerous contracts: cost of fulfilling a contract (Amendments to IAS 37)**

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, issued by the International Accounting Standards Board, clarify that the 'cost of fulfilling a contract' when assessing whether a contract is onerous comprises both:

- the incremental costs – e.g. direct labour and materials; and
- on allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments will be recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives will not be restored. Earlier application is permitted.

**b. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)**

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognized in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of property, plant and equipment is available for use; and
- costs associated with making the item of property, plant and equipment available for its intended use.

Making this allocation of costs may require significant estimation and judgement.

The amendments apply for the annual reporting period beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

## 3.0 SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Recognition of interest and similar income and expense

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available for sale and financial instruments designated at fair value through other comprehensive income (FVOCI), interest income or expense is recorded on an accrual basis using the effective interest rate (EIR) method.

EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or a shorter period, where appropriate, to the net carrying amount of the financial assets or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR.

The carrying amount of the financial asset or financial liability is adjusted if the company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as interest income or expense.

However, for a reclassified financial asset for which the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

### 3.2 Fees and commission income

Fees and commission income are recognized on an accrual basis when the related services are performed and the performance obligations associated with the contracts are delivered. Loan commitment fees for loans that are not likely to be drawn down are deferred, together with related direct costs and recognized on a straight-line basis over the commitment period.

### 3.3 Foreign currency translation

Transactions denominated in currencies other than the functional currency of the company are translated at the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in other currencies at year-end are reported at the rates of exchanges prevailing at that date. Any gain or loss resulting from the translation at a year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss and other comprehensive income.

Non-monetary assets and liabilities are translated at historical exchange rates if held at historical cost or exchange rates at the date the fair value was determined if held at fair value, and the resulting foreign exchange gains and losses are generally recognized in the statement of comprehensive income.

### 3.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at calls with banks and other short-term highly liquid investments with original maturities of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding overdrafts. Cash is measured at fair value both on initial and subsequent recognition.

### 3.5 Investment securities

This comprises investments in short-term Government securities and medium-term investments in Government and other securities such as treasury bills and bonds and other investments. Investment securities are categorized as debt securities at FVOCI, trading financial assets and carried in the statement of financial position at fair value.

### 3.6 Loans and advances

This is made up of loans and advances to customers. These are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortized cost using the effective interest method in the statement of financial position, i.e., gross receivable less impairment allowance.

## 3.7 Provisions and contingencies

### Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expenditure relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.
If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

### Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non- occurrence of one or more uncertain future events not wholly within the control of the company, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

## 3.8 Taxation

### Current income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the tax payable on the taxable profit for the year determined in accordance with the Income Tax Act, 2015 (Act 896) and its amendments. Corporate tax is assessed at 25% of the chargeable profits. Current tax payable for current and prior periods shall be to the extent unpaid. It is de-recognized when payment is made.
Current income tax relating to items recognized directly in equity or other comprehensive income is recognized in equity or other comprehensive income respectively and not in the statement of profit or loss.

**Deferred tax**

Deferred income tax is provided for all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes tax basis of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on laws that have been enacted or substantively enacted at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences except where at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable company and the same tax authority. Otherwise, deferred tax assets and liabilities are presented separately within the financial statements.

**3.9 Leases**

The company assesses at contract inception whether a contract is, or contains a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**a. Company as a lessee**

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognizes lease liabilities to make payments and right-of-use assets representing the right to use the underlying assets.

**b. Right-of-use assets**

The company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

**c. Lease liabilities**

At the commencement date of the lease, the company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

**d. Company as a Lessor**

Leases where the company does not transfer substantially all of the risk and benefits of ownership of the assets are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in other operating income.

Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

### 3.10 Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the assets into operation, the initial estimated value of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate of the amount paid and the fair value of any other consideration given to acquire the asset.

The straight-line method is adopted to depreciate the cost of items of property, plant and equipment less any estimated residual value of the assets over their expected useful lives. The company estimated the useful lives of other assets in line with their beneficial periods. Where parts of an item of property, plant and equipment have different useful lives and is significant to the total cost, the cost of that item is allocated on a component basis among the parts and each part is depreciated separately. The estimated useful lives are as follows:

| Asset | Years | Rate (%) |
|---|---|---|
| Motor vehicles | 4 | 25 |
| Furniture and fittings | 5 | 20 |
| Equipment | 5 | 20 |
| Buildings | 20 | 5 |
| Computers | 3 | 33.3 |
| Leasehold improvement | Remaining lease period | |

Residual values, useful lives and depreciation method are reviewed and, adjusted if appropriate at each reporting date, changes are accounted for prospectively.
The cost of assets built by the company includes the cost of material and direct labour as well as any other costs directly attributable to bringing the assets to a working condition as intended by management. Once the assets are available for use, depreciation commences.

Expenditure on major maintenance or repairs comprises the cost of replacement of assets or parts of assets and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off or is replaced and it is probable that future economic benefits associated with the item will flow to the company, the replacement expenditure is capitalized.

Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other maintenance costs are expensed as incurred. The carrying amount of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

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

### 3.11 Intangible assets

Software acquired by the company is measured at cost less accumulated amortization and accumulated impairment losses. Expenditure on internally developed software is recognized as an asset when the company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalized costs of internally developed software include all costs directly attributable to developing the software and are amortized over its useful life. The internally developed software is stated at capitalized cost less accumulated amortization and impairment. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization is recognized in the profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful lives of software are as follows:

| Asset | Years | Rate (%) |
|---|---|---|
| Intangible assets | 3 | 33.33 |

### 3.12 Impairment of non-financial assets

Management reviews the net carrying amounts of the assets annually in order to analyze events or changes in economic, operating or technological circumstances that may indicate that the carrying amounts of an asset may not be recoverable. If any such indication of impairment exists, then the asset's recoverable amount is estimated and when the net carrying amount exceeds the recoverable amount, an impairment provision is recognized. An asset's recoverable amount is the higher of fair value less costs to sell and its value in use. In assessing the value in use, the estimated future cash flows are adjusted for the risk specific to the asset and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Impairment losses are recognized in the statement of profit or loss and other comprehensive income.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### 3.13 Grant

Grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.
When the Company receives grants of non-monetary assets, the asset which is the grant is recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption or the benefits of the underlying asset by equal annual installments.

### 3.14 Post Employee benefits

**Defined contribution plans**

Obligation for contributions to defined contribution pension plans is recognized as an expense in personnel expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

**Social Security and National Insurance Trust (SSNIT)**

In accordance with the provisions of the Pensions Act, 2008 (Act 766), the Company has instituted a defined contributory pension scheme. The Company contributes 13% while employees contribute 5.5% of basic salary towards the scheme. Staff contributions are funded through payroll deductions while the company's contribution is charged to the statement of profit or loss and other comprehensive income in the year in which they relate. The pension liabilities and obligations, however, rests with SSNIT.

**Provident fund**

The company has a provident fund scheme for all employees who have completed probation with the company which it manages by itself. Employees contribute 5% of their basic salary to the fund whilst the company contributes 10%. The obligation under the plan is limited to the relevant contribution and these are settled by the company.

### 3.14 Financial instruments

**Recognition and initial measurement**

The Company initially recognizes cash and cash equivalents, loans and advances to customers, investment securities, other assets, deposits from customers and other liabilities on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date on which the company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price.

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- – the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding.

  A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest (SPPI).

All other financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**Business model assessment - financial assets**

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

i. The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

ii. How the performance of the portfolio is evaluated and reported to the Company's management;

iii. The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

iv. How managers of the business are compensated e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;

v. The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized. Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets are measured at FVTPL.

**Classification and subsequent measurement**

**Assessment of whether contractual cash flows are solely payments of principal and interest on principal – Financial Assets**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Company holds a portfolio of long-term fixed-rate loans for which the Company has the option to propose a revision of the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The right to reset the rates of the loans based on the revision in market rates is part of the contractually agreed terms on the inception of the loan agreement; therefore, the borrowers are obligated to comply with the reset rates without any option of repayment of the loans at par at any reset date.

The Company has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies with the interest rate in a way that is considered a consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period the company changes its business model for managing financial assets.

**a. Amortized cost**

Financial assets at amortized cost comprise cash and cash equivalents, loans and advances to customers, other assets and other investments. They are initially recognized at fair value plus incremental direct transaction costs and are subsequently measured at amortized cost using the effective interest method less any impairment losses. Interest income determined using the effective interest method, foreign exchange gains and losses and impairment are reported in the profit or loss. Any gain or loss on derecognition is recognized in the statement of comprehensive income.

**b. Fair value through other comprehensive income (FVOCI)**

**Debt Instruments**

The debt instrument is initially recognized at fair value plus direct transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment gains or losses, interest revenue and foreign exchange gains and losses are recognized in the profit or loss. Upon disposal or derecognition, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is determined using the effective interest method and recognized in the profit or loss as 'Interest income using the effective interest method'. The measurement of credit impairment is based on the three-stage expected credit loss model as applied to financial assets at amortized cost.

**c. Fair value through profit or loss (FVTPL)**

The gain or loss arising from changes in the fair value of a debt investment that is subsequently measured at fair value through the profit or loss and is not part of a hedging relationship is included directly in the statement of comprehensive income and reported as 'Net gains/ (losses) in financial instruments classified as FVTPL' in the period in which it arises. Interest income from these financial assets is recognized in profit or loss as 'net income or loss financial asset at fair value through profit or loss.

**d. Other financial liabilities**

Deposits and other borrowings are the Company's sources of debt funding. When the Company sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and-repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognized in the Company's financial statements.

Other financial liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

**Derecognition**

Financial assets are derecognized when the right to receive cash flows from the financial assets has expired or where the Company has transferred substantially all the risks and rewards of ownership. Any interest in the transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. On the derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in the statement of comprehensive income. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability.

Any interest in such derecognized financial asset that is created or retained by the Company is recognized as a separate asset or liability. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

**Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability, the principal or the most advantageous market is accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

  The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted

market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**Offsetting**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

**Modification**

**Financial assets**

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

– fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

– other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

If the Company plans to modify a financial asset in a way that would result in the forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy).

This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in the derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.
If such a modification is carried out because of the financial difficulties of the borrower, then the gain or loss is presented together with impairment losses.

**Financial liabilities**
The Company derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.
Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss.
For floating rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

**Identification and measurement of impairment**
The Company recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:
- financial assets that are debt instruments;
- loan commitments issued.

No impairment loss is recognized on equity investments.

The Company's expected credit loss (ECL) calculations are outputs of complex models with a number of underlying assumptions. The significant judgements and estimates in determining expected credit loss include:

The Company's criteria for assessing if there has been a significant increase in credit risk; and development of expected credit loss models, including the choice of inputs relating to macroeconomic variables.

The calculation of credit-impairment provisions also involves expert credit judgement to be applied by the credit risk management committee based upon counterparty information they receive from various sources including relationship managers and external market information.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

## a. Significant accounting estimates and judgements

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company does not apply the low credit risk exemption to any other financial instruments.

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1 financial instruments.

Life- time ECL is the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit impaired are referred to as 'Stage 2 financial instruments.

## b. Expected credit losses

Expected credit losses are determined for all financial debt instruments that are classified at amortized cost or fair value through other comprehensive income, undrawn commitments and financial guarantee contracts issued. An expected credit loss represents the present value of expected cash shortfalls over the residual term of a financial asset, undrawn commitment or financial guarantee.

A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that the Company expects to receive over the contractual life of the instrument.

**Measurement**

Expected credit losses are computed as unbiased, probability-weighted amounts which are determined by evaluating a range of reasonably possible outcomes, the time value of money, and considering all reasonable and supportable information including that which is forward-looking. They are measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

When discounting future cash flows, the following discount rates are used: financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
POCI assets: a credit-adjusted effective interest rate;
— undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
— financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.
For material portfolios, the estimate of expected cash shortfalls is determined by multiplying the probability of default (PD) with the loss-given default (LGD) with the expected exposure at the time of default (EAD). There may be multiple default events over the lifetime of an instrument.

Further details on the components of PD, LGD, and EAD are disclosed in the credit risk section. For less material retail banking loan portfolios, the Company has adopted simplified approaches based on historical roll rates or loss rates.

Forward-looking economic assumptions are incorporated into the ECL computation where relevant and where they influence credit risks, such as GDP growth rates, interest rates, house price indices and commodity prices among others. These assumptions are incorporated using the Company's most likely forecast for a range of macroeconomic assumptions. These forecasts are determined using all reasonable and supportable information, which includes both internally developed forecasts and those available externally and are consistent with those used for budgeting, forecasting, and capital planning.
To account for the potential non-linearity in credit losses, multiple forward-looking scenarios are incorporated into the range of reasonably possible outcomes for all material portfolios. For example, where there is a greater risk of downside credit losses than upside gains, multiple forward-looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD) and in determining the overall expected credit loss amounts. These scenarios are determined using a Monte Carlo approach centered on the Company's most likely forecast of macroeconomic assumptions.

The period over which cash shortfalls are determined is generally limited to the maximum contractual period for which the Company is exposed to credit risk. However, for certain revolving credit facilities, which include overdrafts, the Company's exposure to credit risk is not limited to the contractual period. For these instruments, the Company estimates an appropriate life based on the period that the Company is exposed to credit risk, which includes the effect of credit risk management actions such as the withdrawal of undrawn facilities.

For credit-impaired financial instruments, the estimate of cash shortfalls may require the use of expert credit judgement. As a practical expedient, the Company may also measure credit impairment on the basis of an instrument's fair value using an observable market price.
The estimate of expected cash shortfalls on a collateralized financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, regardless of whether foreclosure is deemed probable.

Cash flows from unfunded credit enhancements held are included within the measurement of expected credit losses if they are part of, or integral to, the contractual terms of the instrument (this includes financial guarantees, unfunded risk participations, and other non-derivative credit insurance). Although non-integral credit enhancements do not impact the measurement of expected credit losses, a reimbursement asset is recognized to the extent of the expected credit losses recorded.

Cash shortfalls are discounted using the effective interest rate on the financial instrument as calculated at initial recognition or if the instrument has a variable interest rate, the current effective interest rate determined under the contract.

**Recognition**

**12 months expected credit losses (Stage 1)**

Expected credit losses are recognized at the time of initial recognition of a financial instrument and represent the lifetime cash shortfalls arising from possible default events up to 12 months into the future from the balance sheet date. Expected credit losses continue to be determined on this basis until there is either a significant increase in the credit risk of an instrument or the instrument becomes credit- impaired. If an instrument is no longer considered to exhibit a significant increase in credit risk, expected credit losses will revert to being determined on a 12-month basis.

**Significant increase in credit risk (Stage 2)**

If a financial asset experiences a significant increase in credit risk (SICR) since initial recognition, an expected credit loss provision is recognized for default events that may occur over the lifetime of the asset. A significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Significant does not mean statistically significant nor is it assessed in the context of changes in expected credit loss. Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors such as lending placed on non-purely precautionary early alert and observed changes in external indicators such as external credit rating, the weight of which depends on the type of product and counterparty.

Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. For less material portfolios where a loss rate or roll rate approach is applied to compute expected credit loss, a significant increase in credit risk is primarily based on 30 days past due.

Quantitative factors include an assessment of whether there has been a significant increase in the forward-looking probability of default (PD) since origination. A forward-looking PD is one that is adjusted for future economic conditions to the extent these are correlated to changes in credit risk.

The Company compares the residual lifetime PD at the statement of financial position date to the residual lifetime PD that was expected at the time of origination for the same point in the term structure and determines whether both the absolute and relative change between the two exceeds predetermined thresholds. To the extent that the differences between the measures of default outlined exceed the defined thresholds, the instrument is considered to have experienced a significant increase in credit risk. Qualitative factors assessed include those linked to current credit risk management processes, such as lending placed on non-purely precautionary early alert (and subject to closer monitoring).

A non-purely precautionary early alert account is one that exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision, or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over management's ability to manage operations, weak/deteriorating operating results, liquidity strain and overdue balances among other factors.

**Credit-impaired (or defaulted) exposures (Stage 3)**
Financial assets that are credit impaired (or in default) represent those that are at least 90 days past due in respect of principal and/or interest. Financial assets are also considered to be credit-impaired where the obligors are unlikely to pay on the occurrence of one or more observable events that have a detrimental impact on the estimated future cash flows of the financial asset. It may not be possible to identify a single discrete event but instead, the combined effect of several events may cause financial assets to become credit impaired.
Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or borrower;
- Breach of contract such as default or a past due event;
- For economic or contractual reasons relating to the borrower's financial difficulty, the lenders of the borrower have granted the borrower concessions that lenders would not otherwise consider. This would include forbearance actions;
- Pending or actual bankruptcy or other financial reorganization to avoid or delay the discharge of the borrower's obligations;
- The disappearance of an active market for the applicable financial asset due to financial difficulties of the borrower; and
- Purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

  Loss provisions against credit-impaired financial assets are determined based on an assessment of the recoverable cash flows under a range of scenarios, including the realization of any collateral held where appropriate. The loss provisions held represent the difference between the present value of the cash flows expected to be recovered, discounted at the instrument's original effective interest rate, and the gross carrying value of the instrument prior to any credit impairment. The Company's definition of default is aligned with the definition of default as set out in IFRS 9.

**Write-offs of credit-impaired instruments and reversal of impairment**

To the extent a financial debt instrument is considered irrecoverable, the applicable portion of the gross carrying value is written off against the related loan provision. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the credit impairment loss decreases, and the decrease can be related objectively to an event occurring after the credit impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized credit impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognized in profit or loss. All credit facility write-offs shall require the endorsement by the Board of Directors and the Central Bank.

**Improvement in credit risk**

A period may elapse from the point at which instruments enter lifetime expected credit losses (stage 2 or stage 3) and are reclassified back to 12-month expected credit losses (stage 1). For financial assets that are credit-impaired (stage 3), a transfer to stage 2 or stage 1 is only permitted where the instrument is no longer considered to be credit-impaired. An instrument will no longer be considered credit-impaired when there is no shortfall of cash flows compared to the original contractual terms.

For financial assets within stage 2, these can only be transferred to stage 1 when they are no longer considered to have experienced a significant increase in credit risk.

Where a significant increase in credit risk was determined using quantitative measures, the instruments will automatically transfer back to stage 1 when the original PD-based transfer criteria are no longer met.

Where instruments were transferred to stage 2 due to an assessment of qualitative factors, the issues that led to the reclassification must be cured before the instruments can be reclassified to stage 1. This includes instances where management actions led to instruments being classified as stage 2, requiring that action be resolved before loans are reclassified to stage 1. A customer needs to demonstrate consistently good payment behavior over a regulatory maximum of six (6) months before the exposure is no longer considered to be credit-impaired or in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

**Restructured financial asset**

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows.

If the expected restructuring will not result in the derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

If the expected restructuring will result in the derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Company presents a combined loss allowance for both components.

  The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: The loss allowance is charged to profit or loss and is recognized in other comprehensive income.

### 3.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

### 3.16 Stated capital

**a. Ordinary shares**

Ordinary shares are classified as 'stated capital' in equity.

**b. Dividend on ordinary shares**

Dividends on the Company's ordinary shares are recognized in equity in the year in which they are paid or, if earlier, approved by the Company's shareholders.

### 3.17 Events after the reporting date

Events subsequent to the statement of financial position date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material.

### 3.18 Dividend

Dividend payable is recognized as a liability in the period in which they are declared. Dividend on ordinary shares is recognized in the period in which they are approved by the shareholders. The dividend proposed which is yet to be approved by the shareholders, is disclosed by way of notes.

## 4. INTEREST INCOME

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Cash and short-term funds | 13,500,533 | 5,025,504 |
| Loans and advances to customers | 102,212,830 | 79,954,987 |
| **Total interest income** | **115,713,363** | **84,980,491** |

## 5. INTEREST EXPENSE

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Savings account | 9,524,045 | 7,231,239 |
| Term deposits | 21,654,425 | 14,804,329 |
| Borrowings | 14,950,131 | 13,454,052 |
| **Total interest expense** | **46,128,601** | **35,489,620** |

## 6. FEES AND COMMISSION INCOME

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Application fees | 374,915 | 342,997 |
| Training fees | 136,535 | 129,196 |
| Domestic operations | 3,544,588 | 1,833,719 |
| **Total fees and commission income** | **4,056,038** | **2,305,912** |

## 7. OTHER OPERATING INCOME

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Profit on disposal of assets | 42,900 | 31,539 |
| Miscellaneous and others | 3,349,123 | 2,728,661 |
| Grants (Note 7a) | - | 4,185,171 |
| **Total other operating income** | **3,392,023** | **6,945,371** |

## 7a. GRANTS

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Balance at 1 January | - | - |
| Received during the year | - | 4,185,171 |
| Utilization | - | (4,185,171) |
| **Balance at 31 December** | **-** | **-** |

The grants were received from the Canadian Government through Opportunity International Canada for technical assistance and training of SME loan beneficiaries.

## 8. ALLOWANCES FOR EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Loans and advances | 136,138 | 735,280 |
| Cash and bank balances | 261,119 | 944 |
| Investment securities | 2,868,315 | 366,876 |
| Other assets | (25,642) | (114,581) |
| Off-balance sheet exposure | 127,441 | 271,253 |
| Inter-company receivables | - | (511,891) |
| **Net allowances for expected credit losses on financial assets** | **3,367,371** | **747,881** |

The table below shows the Expected Credit Loss charges on financial instruments for the year recorded in the income statement:

| 2023 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ |
| Loans and advances | (529,318) | 893,306 | (227,850) | 136,138 |
| Undrawn commitments | 127,441 | - | - | 127,441 |
| Investment securities | 449,447 | (906,290) | 3,325,158 | 2,868,315 |
| Cash equivalents | 261,119 | - | - | 261,119 |
| Other assets | (25,642) | - | - | (25,642) |
| Inter-company receivables | - | - | - | - |
| **At 31 December, 2023** | **283,047** | **(12,984)** | **3,097,308** | **3,367,371** |

| 2022 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ |
| Loans and advances | 1,846,515 | (252) | (1,110,983) | 735,280 |
| Undrawn commitments | 271,253 | - | - | 271,253 |
| Investment securities | (358,104) | 724,980 | - | 366,876 |
| Cash equivalents | 944 | - | - | 944 |
| Other assets | (114,581) | - | - | (114,581) |
| Inter-company receivables | (511,891) | - | - | (511,891) |
| **At 31 December, 2022** | **1,134,136** | **724,728** | **(1,110,983)** | **747,881** |

## 9. PERSONNEL EXPENSES

| | 2023 | 2022 |
|---|---|---|
| | **GH¢** | **GH¢** |
| Wages and salaries | 23,740,239 | 20,118,075 |
| Travel and transport allowances | 1,887,317 | 1,749,268 |
| Social security costs | 1,978,367 | 1,757,430 |
| Provident fund employer's contribution | 1,138,956 | 971,467 |
| Post-employment gratuity costs | 341,644 | 24,912 |
| Employee loans benefits | 57,794 | 40,107 |
| Staff Bonus | 1,412,057 | 810,924 |
| **Total personnel expenses** | **30,556,374** | **25,472,183** |

The number of personnel employed by the company at the end of the year was 887 (2022: 997)

## 10. DEPRECIATION AND AMORTIZATION

| | 2023 | 2022 |
|---|---|---|
| | **GH¢** | **GH¢** |
| Depreciation of property, plant and equipment (Note 19a) | 2,327,014 | 1,155,881 |
| Depreciation of right of use of assets (Note 21) | 1,818,040 | 1,506,526 |
| Amortization of intangible assets (Note 20) | 1,035,940 | 917,994 |
| **Total depreciation and amortization** | **5,180,994** | **3,580,401** |

## 11. OTHER OPERATING EXPENSES

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Directors' emoluments | 24,800 | 74,400 |
| Board meeting expenses | 137,342 | 239,190 |
| Advertising and marketing | 486,216 | 528,421 |
| Maintenance and fuel costs | 3,286,546 | 2,206,262 |
| Printing and stationery costs | 1,953,079 | 1,225,566 |
| Postage, telecommunication and internet costs | 2,721,220 | 2,505,646 |
| Utility costs | 1,640,547 | 1,157,094 |
| Audit fees | 200,000 | 160,000 |
| Other professional fees | 413,299 | 413,527 |
| Training costs | 450,466 | 412,659 |
| Bank charges | 1,135,854 | 1,178,135 |
| Penalties and fines | 25,290 | 153,823 |
| Cleaning and sanitation costs | 2,381,465 | 2,027,651 |
| Transport and travel costs | 4,947,821 | 4,206,099 |
| Donations | 84,000 | 14,800 |
| Hotel accommodation | 398,848 | 345,839 |
| Staff medical and welfare | 1,860,503 | 1,175,510 |
| Other administrative expenses | 12,016,501 | 9,812,292 |
| **Total other operating expenses** | **34,163,797** | **27,836,914** |

## 12. INCOME TAX EXPENSE

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Current tax (Note 18a) | - | 1,055,524 |
| National stabilization levy (Note 12a) | 188,214 | 55,239 |
| Deferred income tax | (6,401) | (214,724) |
| **Charge to statement of profit and other comprehensive income** | **181,813** | **896,039** |

### (a) GROWTH AND SUSTAINABILITY LEVY

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Charge to statement of profit or loss and other comprehensive income | 188,214 | 55,239 |

The Growth and Sustainability Levy Act, 2023 (Act 1095) was enacted to replace The National Fiscal Stabilization Act, 2013 (Act 862). It became effective from 3rd April 2023. Under the Act, a levy of 5% is charged on profit before tax and it is payable on a quarterly basis.

### (b) EFFECTIVE TAX RECONCILIATIONS

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| **Profit before tax** | 3,764,287 | 1,104,775 |
| Tax at a statutory income tax rate of 25% (2022:25%) | 941,072 | 276,194 |
| Growth & Sustainability Levy tax rate of 5% (2022:5%) | 188,214 | 55,239 |
| Non-deductible expenses for tax purposes | 2,405,788 | 159,138 |
| Other Taxes | - | 1,055,524 |
| Tax incentive not recognized in the income statement | (3,346,860) | (435,331) |
| Deferred tax | (6,401) | (214,724) |
| **Total Income Tax expense in statement of profit and other comprehensive income** | **181,813** | **896,039** |
| **Effective income tax rate** | **4.83%** | **81.11%** |

### 13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit after tax for the year attributable to ordinary shareholders of GH¢3.58 million (2022: GH¢0.21 million) and the weighted average number of ordinary shares outstanding of 33.5 million (2022: 33.5 million), calculated as follows:

| | 2023 | 2022 |
|---|---|---|
| Profit attributable to shareholders (GH¢) | 3,582,474 | 208,735 |
| Weighted average number of outstanding Ordinary shares | 33,500,000 | 33,500,000 |
| **Basic Earnings per Share (GH¢)** | **0.11** | **0.01** |

**Diluted Earnings per Share:** The company has no category of dilutive potential ordinary shares.

## 14. CASH AND CASH EQUIVALENTS

| | | 2023 | 2022 |
|---|---|---|---|
| | | GH¢ | GH¢ |
| Cash on hand | | 16,337,472 | 10,269,174 |
| Bank balances | 14(a) | 27,079,883 | 16,005,687 |
| **Total cash and cash equivalents** | | **43,417,355** | **26,274,861** |

### (a) ALLOWANCE FOR EXPECTED LOSS ON BANK BALANCES

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| **Due from other banks and financial institutions (gross)** | **27,344,897** | **16,009,582** |
| | **27,344,897** | **16,009,582** |
| **Expected credit loss** | | |
| Stage 1 | (265,014) | (3,895) |
| Stage 2 | - | - |
| Stage 3 | - | - |
| **Total expected credit loss** | **(265,014)** | **(3,895)** |
| **Due from other banks and financial institutions (net)** | **27,079,883** | **16,005,687** |

## 15. INVESTMENT SECURITIES

| | 2023 | 2022 |
|---|---|---|
| **Instruments measured at amortized cost** | **GH¢** | **GH¢** |
| Government bonds and treasury bills | 27,919,445 | 6,692,419 |
| Fixed deposit investments | 52,675,148 | 29,257,511 |
| | 80,594,593 | 35,949,930 |
| Less: Allowance for expected credit loss on investment securities | (4,097,853) | (1,229,537) |
| **Net investment securities** | **76,496,740** | **34,720,393** |

**(a) GROSS INVESTMENT SECURITIES COMPRISING**:

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Government bonds and treasury bills | 27,919,445 | 6,692,419 |
| Fixed deposit investments | 52,675,148 | 29,257,511 |
| **Total exposure** | **80,594,593** | **35,949,930** |

**(b) MATURITY ANALYSIS**

The maturities represent periods to contractual redemption of the investment securities recorded.

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Maturing after 3 months but within 6 months | 76,480,272 | 18,574,248 |
| Maturing after 6 months but within 12 months | 4,114,271 | 17,375,682 |
| | **80,594,593** | **35,949,930** |

**(c) ALLOWANCE FOR EXPECTED LOSS ON INVESTMENT SECURITIES**

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| **Investment securities (gross)** | **80,594,593** | **35,949,930** |
| | **80,594,593** | **35,949,930** |
| **Expected credit loss** | | |
| Stage 1 | (772,694) | (323,247) |
| Stage 2 | - | (906,290) |
| Stage 3 | (3,325,159) | - |
| **Total expected credit loss** | **(4,097,853)** | **(1,229,537)** |
| | | |
| **Investment securities (net)** | **76,496,740** | **34,720,393** |

## 16. LOANS AND ADVANCES TO CUSTOMERS

### (a) ANALYSIS BY PRODUCT TYPE

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Overdrafts | 43,940,529 | 26,618,769 |
| Term loans | 294,387,993 | 219,503,028 |
| Staff loans | 3,957,689 | 1,989,873 |
| Gross loans and advances | 342,286,211 | 248,111,670 |
| Less: Allowance for expected credit losses | (8,803,122) | (8,666,984) |
| **Net loans and advances** | **333,483,089** | **239,444,686** |

### (b) ALLOWANCE FOR EXPECTED CREDIT LOSS ON LOANS AND ADVANCES

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Balance at 1 January | 8,666,984 | 7,931,704 |
| Impairment loss for the year: | | |
| Additional impairment charge during the year | 136,138 | 735,280 |
| **Balance at 31 December** | **8,803,122** | **8,666,984** |
| | | |
| Individual Impairment | 4,049,436 | 4,768,012 |
| Collective Impairment | 4,753,686 | 3,898,972 |
| **Balance at 31 December** | **8,803,122** | **8,666,984** |

### (c) ANALYSIS BY TYPE OF CUSTOMER

| | 2023 | 2022 |
|---|---|---|
| | **GH¢** | **GH¢** |
| Individuals | 269,112,208 | 188,483,335 |
| Private enterprises | 73,174,003 | 59,628,335 |
| Gross loans and advances | 342,286,211 | 248,111,670 |
| Less: Allowance for expected credit losses | (8,803,122) | (8,666,984) |
| | **333,483,089** | **239,444,686** |

## (d) ANALYSIS BY INDUSTRY

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Agriculture, forestry & fishing | 44,796,978 | 25,830,077 |
| Commerce & finance | 175,519,605 | 108,875,621 |
| Manufacturing | 61,425,124 | 33,144,586 |
| Services | 34,541,095 | 32,676,539 |
| Transport, storage & communication | 26,003,409 | 47,584,847 |
| Gross loans and advances | 342,286,211 | 248,111,670 |
| Less: Allowance for expected credit losses | (8,803,122) | (8,666,984) |
| | **333,483,089** | **239,444,686** |

## (e) EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES

The table below shows an analysis of the expected credit losses on loans and advances based on the class of financial assets.

| 2023 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ |
| Overdrafts | 540,765 | - | - | 540,765 |
| Term Loans | 2,482,594 | 895,115 | 4,866,753 | 8,244,462 |
| Staff Loans | 17,895 | - | - | 17,895 |
| **Total** | **3,041,254** | **895,115** | **4,866,753** | **8,803,122** |

| 2022 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ |
| Overdrafts | 383,070 | - | - | 383,070 |
| Term Loans | 3,158,866 | 1,809 | 5,094,603 | 8,255,278 |
| Staff Loans | 28,636 | - | - | 28,636 |
| **Total** | **3,570,572** | **1,809** | **5,094,603** | **8,666,984** |

**(f) CREDIT RISK RESERVE:**

Loans provisioning/impairment are carried out in accordance with the 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 profit or loss and other comprehensive income.

When the expected 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. As at the year ended 2023, the provision computed under IFRS guidelines fell below the provisions for bad debts against loans and advances as required by the Bank of Ghana. Where provisions per IFRS are more than provisions per Bank of Ghana guidelines, no regulatory credit reserve is required.

**Reconciliation between BOG and IFRS;**

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Provisions per Bank of Ghana Guidelines | 11,890,049 | 10,128,653 |
| Provisions per IFRS | (8,803,122) | (8,666,984) |
| **Excess of Bank of Ghana provision over IFRS** | **3,086,927** | **1,461,669** |

**(g) KEY RATIOS ON LOANS AND ADVANCES**

| | 2023 | 2022 |
|---|---|---|
| | % | % |
| Loan Loss Provision Ratio | 2.57% | 3.49% |
| Gross Non-Performing Loan Ratio | 2.91% | 3.98% |
| 20 largest exposures to total exposure | 5.68% | 6.16% |

## 17. OTHER ASSETS

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Prepayments | 3,046,624 | 1,363,647 |
| Others | 1,468,788 | 4,243,937 |
| Stationery and consumables | 500,783 | 873,738 |
| Deferred employee benefits | 1,402,672 | 1,788,032 |
| | **6,418,867** | **8,269,354** |
| Allowance for expected credit losses | (64,189) | (89,831) |
| **Net other assets** | **6,354,678** | **8,179,523** |

## 18. CURRENT TAX: ASSETS / (LIABILITIES)

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Corporate Tax (Note 18a) | 217,576 | 132,000 |
| Growth & Sustainability Levy (Note 18b) | (213,064) | (84,409) |
| | **4,512** | **47,591** |

### (a). CORPORATE TAX: ASSETS/ (LIABILITIES)

| Year of Assessment | Balance at 1 January | Payments during the Year | Charge for the Year | Balance at 31 December |
|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ |
| 2021 | 60,000 | - | - | 60,000 |
| 2022 | 72,000 | - | - | 72,000 |
| 2023 | - | 85,576 | - | 85,576 |
| | **132,000** | **85,576** | **-** | **217,576** |

All Tax liabilities are subject to the agreement with the Ghana Revenue Authority. Taxes up to 2020 have been agreed with the Ghana Revenue Authority.

### (b). GROWTH & SUSTAINABILITY LEVY: ASSETS/ (LIABILITIES)

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Balance at 1 January | (84,409) | (98,981) |
| Charge to statement of profit or loss and other comprehensive income | (188,214) | (55,239) |
| Payments | 59,559 | 69,811 |
| **Balance at 31 December** | **(213,064)** | **(84,409)** |

The Growth & Sustainability Levy Act, 2023 (Act 1095) replaced The National Fiscal Stabilization Act, 2013 (Act 862). The Act became effective from 3rd April 2023. Under the Act, a levy of 5% is charged on profit before tax and it is payable on a quarterly basis.

## 19. DEFERRED TAX ASSETS AND LIABILITIES

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Net | Assets | Liabilities | Net |
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Property, plant & equipment | (476,097) | - | (476,097) | (759,688) | - | (759,688) |
| Intangible assets | (60,586) | - | (60,586) | (179,194) | - | (179,194) |
| Loans and advances to customers | (660,233) | - | (660,233) | (251,633) | - | (251,633) |
| | **(1,196,916)** | **-** | **(1,196,916)** | **(1,190,515)** | **-** | **(1,190,515)** |

Deferred income tax is calculated using the enacted income tax rate at 25%. Deferred income tax charges in the statement of profit or loss and other comprehensive income are attributable to the following items;

### (a) MOVEMENTS DURING THE YEAR

| 2023 | At January 1 | Movement | At December |
|---|---|---|---|
| | GH¢ | GH¢ | GH¢ |
| Property, plant & equipment | (759,688) | 283,591 | (476,097) |
| Intangible assets | (179,194) | 118,608 | (60,586) |
| Loans and advances to customers | (251,633) | (408,600) | (660,233) |
| | **(1,190,515)** | **(6,401)** | **(1,196,916)** |

### (b) MOVEMENTS DURING THE YEAR

| 2022 | At January 1 | Movement | At December |
|---|---|---|---|
| | GH¢ | GH¢ | GH¢ |
| Property, plant & equipment | (667,611) | (92,077) | (759,688) |
| Intangible assets | (269,898) | 90,704 | (179,194) |
| Loans and advances to customers | (38,282) | (213,351) | (251,633) |
| | **(975,791)** | **(214,724)** | **(1,190,515)** |

## 20. INTANGIBLE ASSETS

| | 2023 | 2022 |
|---|---|---|
| **COST** | **GH¢** | **GH¢** |
| Balance at 1 January | 7,961,092 | 6,754,713 |
| Additions | 1,618,936 | 1,206,379 |
| **Balance at 31 December** | **9,580,028** | **7,961,092** |
| | | |
| **AMORTIZATION** | | |
| Balance at 1 January | 6,544,520 | 5,626,525 |
| Amortization for the year | 1,035,940 | 917,995 |
| **Balance at 31 December** | **7,580,460** | **6,544,520** |
| | | |
| **Carrying Amount at 31 December** | **1,999,568** | **1,416,572** |

The intangible assets relate to the network and operating software used by the company.

## 21. RIGHTS-OF-USE ASSETS

| | 2023 | 2022 |
|---|---|---|
| **COST** | **GH¢** | **GH¢** |
| Balance at 1 January | 11,342,009 | 9,723,404 |
| Additions | 2,679,749 | 1,618,605 |
| **Balance at 31 December** | **14,021,758** | **11,342,009** |
| | | |
| **DEPRECIATION** | | |
| Balance at 1 January | 5,895,824 | 4,389,297 |
| Charge for the year | 1,818,040 | 1,506,527 |
| **Balance at 31 December** | **7,713,864** | **5,895,824** |
| | | |
| **Carrying Amount at 31 December** | **6,307,894** | **5,446,185** |

## 22. (a) PROPERTY, PLANT AND EQUIPMENT - 2023

| COST | Buildings | Leasehold Improvements | Motor Vehicles | Furniture & Fitting | Office Equipment | Computers | Total |
|---|---|---|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Balance at 1/1/23 | 954,788 | 4,158,757 | 2,948,857 | 698,140 | 6,724,437 | 2,689,706 | 18,174,685 |
| Disposals | - | - | (192,317) | - | - | - | (192,317) |
| Additions | - | 15,899 | 3,250,000 | 194,856 | 546,547 | 331,298 | 4,338,600 |
| **Balance at 31/12/23** | **954,788** | **4,174,656** | **6,006,540** | **892,996** | **7,270,984** | **3,021,004** | **22,320,968** |
| **DEPRECIATION** | | | | | | | |
| Balance at 1/1/23 | 237,105 | 3,544,592 | 2,167,596 | 546,092 | 5,258,740 | 1,914,384 | 13,668,507 |
| Disposals | - | - | (192,317) | - | - | - | (192,317) |
| Charge for the year | 47,739 | 264,561 | 760,878 | 100,532 | 806,215 | 347,088 | 2,327,014 |
| **Balance at 31/12/23** | **284,844** | **3,809,153** | **2,736,157** | **646,624** | **6,064,955** | **2,261,472** | **15,803,204** |
| **Carrying Amount – 31/12/23** | **669,944** | **365,503** | **3,270,383** | **246,371** | **1,206,029** | **759,532** | **6,517,764** |
| Carrying Amount – 31/12/22 | 717,683 | 614,165 | 781,260 | 152,048 | 1,465,697 | 775,323 | 4,506,178 |

### (b) DISPOSAL ACCOUNT

| | |
|---|---|
| Cost | 192,317 |
| Less: Accumulated Depreciation | (192,317) |
| | - |
| Proceeds from sale | (42,900) |
| **Profit on disposal** | **(42,900)** |

## 22. (c) PROPERTY, PLANT AND EQUIPMENT - 2022

| COST | Buildings | Leasehold Improvements | Motor Vehicles | Furniture & Fitting | Office Equipment | Computers | Assets Under Construction | Total |
|---|---|---|---|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Balance at 1/1/22 | 602,073 | 4,101,742 | 2,620,273 | 617,620 | 6,013,165 | 2,320,651 | 352,715 | 16,628,239 |
| Disposals | - | - | (270,016) | (2,646) | (19,779) | - | - | (292,441) |
| Transfer | 352,715 | - | - | - | - | - | (352,715) | - |
| Additions | - | 57,015 | 598,599 | 83,167 | 731,051 | 369,055 | - | 1,838,887 |
| **Balance at 31/12/22** | **954,788** | **4,158,757** | **2,948,857** | **698,140** | **6,724,437** | **2,689,706** | **-** | **18,174,685** |
| **DEPRECIATION** | | | | | | | | |
| Balance at 1/1/22 | 198,183 | 3,325,048 | 2,313,296 | 507,358 | 4,842,778 | 1,618,405 | - | 12,805,068 |
| Disposals | - | - | (270,016) | (2,646) | (19,779) | - | - | (292,441) |
| Charge for the year | 38,922 | 219,544 | 124,315 | 41,379 | 435,741 | 295,979 | - | 1,155,880 |
| **Balance at 31/12/22** | **237,105** | **3,544,592** | **2,167,596** | **546,092** | **5,258,740** | **1,914,384** | **-** | **13,668,507** |
| **Carrying Amount – 31/12/22** | **717,683** | **614,165** | **781,260** | **152,048** | **1,465,697** | **775,323** | **-** | **4,506,178** |
| Carrying Amount – 31/12/21 | 403,890 | 776,694 | 306,976 | 110,261 | 1,170,386 | 702,246 | 352,715 | 3,823,169 |

### (d) DISPOSAL ACCOUNT

| | |
|---|---|
| Cost | 292,441 |
| Less: Accumulated Depreciation | (292,441) |
| | - |
| Proceeds from sale | (31,539) |
| **Profit on disposal** | **(31,539)** |

| 23. BANK OVERDRAFTS | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Ecobank Ghana Limited | 1,738,075 | 2,360,922 |
| Cal Bank Limited | 35,029 | 621,872 |
| Consolidated Bank Ghana Limited | - | 163,240 |
| United Bank for Africa Limited | - | 2,911,438 |
| | **1,773,104** | **6,057,472** |

**Ecobank Ghana Limited**

The company contracted an overdraft facility of GH¢4.0 million from Ecobank Ghana Limited during the year 2023 to be used as working capital support for on-lending to micro-enterprises. The interest rate is at the Ghana Reference Rate (GRR) announced periodically by the Bank of Ghana plus a risk premium of 3% and it expires in October 2024. The facility is secured with the company's Treasury bill investment of GH¢4,446,559 held with the bank.

**Cal Bank Limited**

The company contracted an overdraft facility of GH¢10.0 million from Cal Bank Limited for a period of one year ending October 2024 to support its working capital requirements. The interest rate is the Ghana Reference Rate (GRR) published by the Bank of Ghana from time to time plus a risk premium of 4.8% per annum. The facility expires in 12 months from the commencement date. The facility is secured with the company's cash investment of GH¢7,886,684 to be rolled over on maturity during the tenure of the facility.

**Consolidated Bank Ghana Limited**

The company contracted an overdraft facility of GH¢7.0 million from Consolidated Bank Ghana Limited to augment its working capital needs to meet borrowing demands. The overdraft expires 12 months from the date of disbursement, which is October 2024. The interest rate for this facility is at 24.94%. The facility is secured with the company's fixed deposit investment of GH¢7,140,306 held with the bank.

**United Bank for Africa Limited**

The company contracted an overdraft facility of GH¢7.0 million from United Bank of Africa Limited to augment its working capital needs to meet borrowing demands. The facility expired in 2023.

| 24. DEPOSIT FROM CUSTOMERS | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| **(a) ANALYSIS BY TYPE OF DEPOSIT** | | |
| Compulsory savings | 18,561,791 | 8,988,034 |
| Progressive savings | 56,952,875 | 36,363,420 |
| Current account | 41,748,838 | 26,427,445 |
| Savings account | 3,026,248 | 2,281,583 |
| Micro savings – susu | 61,181,628 | 35,489,502 |
| Fixed deposits | 128,969,110 | 84,661,366 |
| Premium investment account | 32,507,130 | 20,693,645 |
| Accrued interest payable | 5,428,352 | 3,989,551 |
| **Total deposits from customers** | **348,375,972** | **218,894,546** |

Included in deposits from customers is a compulsory savings which the institution has a lien on against the loans and advances to customers.

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| **(b) ANALYSIS BY TYPE OF CUSTOMER** | | |
| Individual | 40,370,038 | 25,305,888 |
| Private Enterprises | 179,036,824 | 108,927,292 |
| Public Enterprises | 128,969,110 | 84,661,366 |
| **Total deposits from customers** | **348,375,972** | **218,894,546** |

**(c) KEY RATIO ON DEPOSIT**

| | 2023 | 2022 |
|---|---|---|
| 10 Largest depositors to total deposit ratio | 5.93% | 4.86% |

## 25. BORROWINGS

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Cal Bank Loan | 6,666,667 | 10,000,000 |
| Oi - UK Loan | 646,400 | 646,400 |
| KIVA Loan | 3,925,000 | 7,900,000 |
| Rabo Foundation Loan | 3,505,000 | 3,505,000 |
| OID Agric | 597,820 | - |
| Development Bank Ghana | 15,000,000 | - |
| Wash Loan | - | 785,435 |
| EDFI Management (Agrified) Loan | 32,253,131 | 20,371,930 |
| Edify Loan | 2,400,000 | 1,500,000 |
| IDP Foundation Inc. Loan | 8,548,584 | 8,548,584 |
| OIKO Credit Loan | 2,200,000 | 6,600,000 |
| Interest payable on Borrowings | 2,682,014 | 1,037,895 |
| **Total borrowings** | **78,424,616** | **60,895,244** |

### CAL Bank Loan

A medium-term loan of GH¢10,000,000 was contracted in March 2022 for a period of three years ending in 2025. The interest rate is the Ghana Reference Rate (GRR) published by the Bank of Ghana from time to time plus a risk premium of 4.81% per annum. The interest rate shall be calculated on the basis of actual number of days elapsed on a 360-day year. Interest on the facility shall accrue and be payable monthly in arrears until the facility is fully retired.
The principal payment of the medium-term loan shall be payable in three (3) equal installments commencing after the disbursement of the facility. The first principal payment will be 30th March 2023 and the subsequent payments will be the same date year after. The purpose of the loan is to augment the company's working capital requirements.

### OI-UK Loan

This is a £128,000 (One Hundred and Twenty-Eight Thousand Pound Sterling) loan from Opportunity International – UK received through OMIL (Opportunity Microfinance Investments Limited). This is a convertible loan at 0% interest. This shall be converted to shares when shares are next issued, or alternatively, converted to grant. The purpose of the loan is to enable SASL to carry out the "Banking on Education in Ghana Project". This agreement started on 31 March 2014.

**KIVA Loan**

This facility is a one million USD (US$1,000,000) cedi equivalent term loan that was contracted in May 2022 for a period of two years ending May 2024 at an interest rate of 23%. The cedi equivalent of GH¢ 7,900,000 has been agreed. Interest shall accrue in the local currency on the outstanding principal amount at the interest rate of 23%. Interest shall be payable quarterly in arrears on each Interest Payment Date, in accordance with the Repayment Schedule. The amount of interest payable on each Interest Payment Date shall equal the amount of interest accrued from and including the last date on which interest was paid and calculated on the basis of a 360-day year for the actual number of days elapsed.

The principal shall be paid quarterly in four equal instalments starting from 15th August 2023. All payments due by the Borrower to the Lender shall be made in Dollars, calculated as the USD equivalent of Ghana Cedi using the applicable Fixing Rate for the applicable Settlement Date. The purpose of the loan is to on-lend to medium-sized micro-enterprises to expand their businesses. The final payment will be in May 2024.

**Rabo Foundation Loan**

This loan was contracted in December 2022 for a period of one year and five months ending in April 2024. The loan amount was GH¢3,505,000 at an interest of 10% with both interest and principal to be paid bullet at the end of the tenure of the loan to expire on 30th April 2024. The purpose of the loan is to on-lend to at least 800 smallholder cocoa farmers located in the Kasapin, Sunyani, and Nkrankwanta Districts of Ghana. Selected farmers will utilize the funding to procure inputs and engage professional service providers to undertake farm management activities on their cocoa farms.

**OID Agric**

This is Opportunity International Deutschland grant of €50,825 in cedi equivalent loan convertible. The cedi equivalent is GH¢597,820. It is an interest-free loan for the purpose of supporting women farmers in the Northern Region of Ghana. It is a two-year loan ending February 2025.

**Development Bank Ghana Loan**

This represents a GH¢15million advance from the Development Bank Ghana cedi-denominated loan for a period of three (3) years ending September 2026. The purpose of the loan is to provide credit assistance to eligible Medium Size Micro Enterprises (MSMEs) and Small Companies. The interest payment accrues monthly and is payable quarterly while the principal payment is payable yearly. The loan was disbursed on 2nd September 2023. The interest rate is 13.40% per annum for agric-businesses and 18.40% per annum for other businesses.

**EDFI Management (Agrified) Loan**

This is a cedi equivalent loan of €2,500,000 (Two million five hundred thousand euros) facility. The first tranche of €1,500,000 was received on 2nd December 2022 at a cedi equivalent of GH¢ 20,371,950. The facility is a subordinated loan with a tenure of six years ending December 2028. The interest rate is 21% per annum. Interest shall be paid half yearly based on the number of days accrued.

The principal payment shall be made in three (3) instalments with the first payment of GH¢ 5,092,987 to be made on 2nd December 2027, the second instalment of the same amount to be made in 2nd June 2028 and the final payment to be made at the end of the tenure of the facility. The purpose of the loan is to on-lend to its customers in the agricultural sector. The second tranche of €1,000,000, a cedi equivalent of GH¢11,881,200 was received in October 2023.

**Edify Loan**

This is a facility of US$253,713 equivalent to GH¢1,500,000 contracted from Edify Inc. and disbursed on 29th November, 2021. The interest rate is at 0% per annum so long as the promissory note is current in repayment as defined in the Memorandum of Understanding (MoU).

Payments of the promissory note shall be done via transfer to an account designated by the lender in whole or in part at any time. In 2022, the company received an additional facility of US$99,939 equivalent to GH¢900,000.

**IDP Foundation Inc. Loan**

This is a loan facility of GH¢5,508,640 equivalent to US$1,000,000 from the IDP Foundation in the US for a period of five (5) years. The interest rate for the facility is 5% per annum and may be paid on or before the repayment of the principal. The purpose of the loan is to support and expand IDP-rising schools in Ghana.

**Oiko Credit Loan**

This is a GH¢12 million facility for a term of three years. The purpose of the loan is to support the growth of the Savings and Loan's loan portfolio. The disbursements were in two tranches of GH¢6.0 million per tranche. The repayment of the principal begins 6 months after the first disbursement and subsequently every 6 months until the tenure of the loan. The interest rate is based on a 91-day Treasury bill plus a margin of 6.33% and is reviewed quarterly but never lower than 20% per annum. The facility is secured by the class "A" loan portfolio of the company with a constant book value of 120%. The first repayment of GH¢1,000,000 was made in November 2023.

## 26. OTHER LIABILITIES

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Sundry creditors | 12,075,339 | 4,286,013 |
| Staff provident fund | 1,801,043 | 2,004,922 |
| Accruals | 1,240,435 | 851,447 |
| Off-balance sheet provisions | 681,810 | 554,370 |
| **Total other liabilities** | **15,798,627** | **7,696,752** |

## 27. EMPLOYEE BENEFIT OBLIGATION

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Balance at 1 January | 78,961 | 685,266 |
| Interest expense | 220,193 | 24,912 |
| Payment | (78,961) | - |
| Remeasured gain/(loss) | 460,135 | (631,217) |
| **Balance at 31 December** | **680,328** | **78,961** |

## 28. ISSUED CAPITAL - 2023

| | 2023 Number of Issued Shares | 2023 Amount | 2022 Number of Issued Shares | 2022 Amount |
|---|---|---|---|---|
| **Ordinary Shares** | | GH¢ | | GH¢ |
| Authorized Shares | 100,000,000 | | 100,000,000 | |
| **Issued and fully paid for** | | | | |
| For cash | 33,500,000 | 33,500,000 | 25,500,000 | 25,500,000 |
| Issued for cash | - | - | 8,000,000 | 8,000,000 |
| | 33,500,000 | 33,500,000 | 33,500,000 | 33,500,000 |

There is no unpaid liability on any ordinary shares and there are no calls or instalments unpaid. There are no treasury shares.

**ISSUED CAPITAL - 2022**

| | 2022 Number of Issued Shares | 2022 Amount | 2021 Number of Issued Shares | 2021 Amount |
|---|---|---|---|---|
| **Ordinary Shares** | | GH¢ | | GH¢ |
| Authorized Shares | 100,000,000 | | 100,000,000 | |
| **Issued and fully paid for** | | | | |
| For cash | 25,500,000 | 25,500,000 | 25,500,000 | 25,500,000 |
| Issued for cash | 8,000,000 | 8,000,000 | - | - |
| | 33,500,000 | 33,500,000 | 25,500,000 | 25,500,000 |

There is no unpaid liability on any ordinary shares and there are no calls or instalments unpaid. There are no treasury shares.

**29. OTHER RESERVE**

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Balance at 1 January | 69,737 | (561,480) |
| Net changes in fair value of financial Instruments | (460,135) | 631,217 |
| **Balance at 31 December** | **(390,398)** | **69,737** |

This represents financial instruments held at fair value through other comprehensive income.

## 30. STATUTORY RESERVE FUND

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Balance at 1 January | 4,551,906 | 4,447,538 |
| Transfer from income surplus | 1,791,237 | 104,368 |
| **Balance at 31 December** | **6,343,143** | **4,551,906** |

This is a non - distributable reserve representing transfers from profit after tax in accordance with Section 34 of the Banks and Specialized Deposit- Institutions Act, 2016 (Act 930). The movement is included in the statement of changes in equity.

## 31. CREDIT RISK RESERVE

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Balance at 1 January | 1,461,669 | - |
| Transfer from Income Surplus | 1,625,258 | 1,461,669 |
| **Balance at 31 December** | **3,086,927** | **1,461,669** |

The company will continue to comply with the IFRS impairment rules which took effect on 1 January, 2018; however, where the IFRS impairment rules result in a lower provision than would be the case if the BOG's prudential norms were applied, the difference should be charged to income surplus and credited to a credit risk reserve and in case the opposite happens subsequently a reversal should be made to the extent of the credit balance in the credit risk reserve. The credit risk reserve so created is not available for distribution as a dividend but is included in the adjusted capital base for purposes of the Capital Adequacy Ratio (CAR) computation.

## 32. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalent comprise the following:

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Cash and cash equivalents | 43,417,355 | 26,274,861 |
| Bank overdrafts | (1,773,104) | (6,057,472) |
| | **41,644,251** | **20,217,389** |

## 33. SHAREHOLDER INFORMATION

| Name of shareholders | Number of Shares | 2023 | 2022 |
|---|---|---|---|
| | | % | % |
| John Kwame Koduah | 2,100,000 | 6.27 | 8.24 |
| Davis Freeman | 300,000 | 0.89 | 1.18 |
| Dorothy Akua Danso | 300,000 | 0.89 | 1.18 |
| Joseph Kobina Hewton | 300,000 | 0.89 | 1.18 |
| Sinapi Aba Trust | 30,500,000 | 91.04 | 88.24 |
| | 33,500,000 | 100.00 | 100.00 |

## 34. RELATED PARTY TRANSACTIONS

### (a) RELATED COMPANY

Sinapi Aba Savings and Loans Company Limited is related to Sinapi Aba Trust. There was no related party transaction during the year.

### (b) KEY MANAGEMENT PERSONNEL

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of Sinapi Aba Savings and Loans Company Limited and comprise the Directors and officers of the company.

**b (i) Loan balances due from key management personnel**

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Balance at 1 January | 919,231 | 783,663 |
| Additions | 553,981 | 269,100 |
| Repayment | (253,939) | (133,532) |
| Balance at 31 December | 1,219,273 | 919,231 |

**b (ii) Compensation of key management personnel**

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Short-term employee benefits | 3,965,663 | 3,010,261 |

**(c) Non – executive directors' emoluments**

Remuneration paid to non-executive directors in the form of fees, allowances and related expenses for the year was GH¢0.024 million (2022: GH¢0.074 million).

## 35. CONTINGENCIES AND COMMITMENTS

**(a) Contingent liabilities**

There was no contingent liability as at the reporting date, 31 December 2023, (2022: Nil)

**(b) Commitments**

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Undrawn commitments | 15,098,915 | 12,276,691 |

## 36. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are measured on an on-going basis either at fair value or at amortized cost. The principal accounting policies in Notes 3.14 describe how the classes of financial instruments are measured and how income and expense, including fair value gains and losses, are recognized.

The following table analyses the financial assets and liabilities in the statement of financial position by class of financial instruments to which they are assigned, and therefore by the measurement basis:

| 2023 | Financial assets at fair value | Equity instrument designated at fair value | Loan and advances amortized cost | Debt instrument at amortized cost | Total carrying amount |
|---|---|---|---|---|---|
| **Financial assets** | **GH¢** | **GH¢** | **GH¢** | **GH¢** | **GH¢** |
| Cash and cash equivalents | 43,417,355 | - | - | - | 43,417,355 |
| Investment securities | 76,496,740 | - | - | - | 76,496,740 |
| Other assets | 6,354,677 | - | - | - | 6,354,677 |
| Loans and advances | - | - | 333,483,089 | - | 333,483,089 |
| **Total financial assets** | **126,268,772** | **-** | **333,483,089** | **-** | **459,751,861** |
| **Total non-financial assets** | | | | | **16,026,654** |
| **Total assets** | | | | | **475,778,515** |

| **Financial Liabilities** | Financial liabilities measured at amortized cost | Total carrying amount |
|---|---|---|
| | **GH¢** | **GH¢** |
| Bank overdrafts | 1,773,104 | 1,773,104 |
| Deposits from customers | 348,375,972 | 348,375,972 |
| Borrowings | 78,424,616 | 78,424,616 |
| Other liabilities | 15,798,627 | 15,798,627 |
| **Total financial liabilities** | **444,372,319** | **444,372,319** |
| **Total non-financial liabilities** | | **31,406,196** |
| **Total liabilities and equity and reserves** | | **475,778,515** |

| 2022 | Financial assets at fair value | Equity instrument designated at fair value | Loan and advances amortized cost | Debt instrument at amortized cost | Total carrying amount |
|---|---|---|---|---|---|
| **Financial assets** | **GH¢** | **GH¢** | **GH¢** | **GH¢** | **GH¢** |
| Cash and cash equivalents | 26,274,861 | - | - | - | 26,274,861 |
| Investment security | 34,720,393 | - | - | - | 34,720,393 |
| Other assets | 8,179,523 | - | - | - | 8,179,523 |
| Loans and advances | - | - | 239,444,686 | - | 239,444,686 |
| **Total financial assets** | **69,174,777** | **-** | **239,444,686** | **-** | **308,619,463** |
| **Total non-financial assets** | | | | | **12,607,041** |
| **Total assets** | | | | | **321,226,504** |

| Financial Liabilities | Financial liabilities measured at amortized cost | Total carrying amount |
|---|---|---|
| | **GH¢** | **GH¢** |
| Bank overdrafts | 6,057,472 | 6,057,472 |
| Deposits from customers | 218,894,546 | 218,894,546 |
| Borrowings | 60,895,244 | 60,895,244 |
| Other liabilities | 7,696,752 | 7,696,752 |
| **Total financial liabilities** | **293,544,014** | **293,544,014** |
| **Total non-financial liabilities** | | **27,682,490** |
| **Total liabilities and equity and reserves** | | **321,226,504** |

**Determination of fair value and values hierarchy**

The NBFI uses the following hierarchy for determining and disclosing the fair value of financial instruments by the valuation techniques:

Level 1: Quoted (adjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs have a significant effect on the recorded fair values
Level 3: Techniques for which inputs have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker codes, investment in private equity funds with fair values obtained via fund managers and assets that are valued using the Bank's own models whereby the majority of assumptions are market observable.

Non-market observable inputs mean that fair values are determined in whole, or in parts, using a valuation technique, based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little if any, market activity for the asset or liability at the measurement date. Therefore, observable inputs reflect the SASL's own assumption about the assumptions that market participants will use in pricing. The asset or liability (including assumption about risk). These inputs are developed based on the best information available which might include the SASL's date. The carrying amounts of the company's financial assets and liabilities approximate its fair values and none of its non-financial assets or liabilities were measured or presented based on fair values.

## 37. FINANCIAL RISK MANAGEMENT

### a. Introduction and overview

The Company's activities expose the business to risks. These risks are managed in a targeted manner. The core functions of the Company's risk management are to identify all key risks for the Company, measure these risks, manage the risk positions, and determine capital allocations.
The risks arising from financial instruments to which the Company is exposed are:
• credit risk
• liquidity risk
• market risk
• capital management
• operational risks
The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practices. The Company's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Company's financial performance. The Company defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

### b. Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Risk Committee of the Board is responsible for developing and monitoring the Bank's risk management policies over specified areas. The Company's risk management policies are established to identify and analyze risks faced by the Bank, set appropriate risk limits and controls, and monitor risks, and adhere to established policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. Through training and setting of standards and procedures, the Company has developed a disciplined and reasonably effective control environment in which all employees understand their roles and obligations. The Company's Risk Committee of the Board is responsible for monitoring compliance with the Company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Company.

**Credit risk**

Credit risk is the risk that the company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. The credit quality review process aims to allow the company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

**Definition of default and cure**

The company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. As part of a qualitative assessment of whether a customer is in default, the company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the company
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral.
- A material decrease in the borrower’s turnover or the loss of a major customer.
- A covenant breach not waived by the company
- The debtor facing financial difficulties

It is the Company’s policy to consider a financial instrument as ‘cured’ and therefore re-classified out of stage 3 when none of the default criteria have been present for at least three consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase/decrease in credit risk compared to initial recognition.

**The Company's internal rating and past due estimation process**

The company's Credit Risk Department operates its internal rating models. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilize supplemental external information that could affect the borrower's ability to pay. Where practical, they also build on information from Credit Bureaus. These information sources are first used to determine the PDs within the Company's framework.

The internal credit grades are assigned based on these Based II grades. PDs are then adjusted for IFRS 9 ECL. Calculations are made to incorporate forward-looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenario as appropriate.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of the following data:

**Corporate Exposures:**

Information obtained during periodic review of customer files – e.g., audited financial statements, management accounts and budgets. Examples of areas of particular focus are gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management and senior management changes. The Company's internal rating and PD estimation process.

**Retail Exposures:**

- Internally collected data on customer behaviour.
- Affordability metrics
- External data from credit reference agencies, including industry-standard credit scores

**All Exposures**

- Payment record- this includes overdue status as well as a range of variables about payment ratios
- Utilization of the granted limit.
- Existing and forecast changes in business, financing and economic conditions.

**Generating the term structure of PD**

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used. The Company employs statistics models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

**Exposure at default (EAD)**

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 1-2 ECL. However, if a Stage 1 loan is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3, and "purchased or originated financial asset (s) that are credit-impaired on initial recognition**"** **(**POCI) financial assets, the exposure at default is considered for events over the lifetime of the instruments. The company determines EAD by modeling the range of possible exposure outcomes at various points in time, corresponding to the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of the company's models.

**Loss given default (LGD)**

For corporate financial instruments, LGD values are assessed at least every year by account managers and reviewed and approved by the Bank's Credit Risk Department. The credit risk assessment is based on a standardized LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held. The Company segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are loss data and involve a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics. Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation based on multiple scenarios, examples of key inputs involve changes in collateral values including property prices. For mortgages, commodity prices, payment status, or other factors that are indicative of losses in the company. The Company estimates regulatory and IFRS 9 LGD on a different basis, Under IFRS 9, LGD rates are estimated for Stage 1, Stage 2, and Stage 3 of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through backtesting against recent recoveries. These are repeated for each economic scenario as appropriate.

**Significant increase in credit risk**

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 1-2 ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year.

The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the company may also consider that events explained earlier are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. When estimating ECLs on a collective basis for a group of similar assets, the company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition. As explained earlier and dependent on the factors below, the Bank calculates ECLs either on a collective or an individual basis.

Assets classes where the Bank calculates ECL on an individual basis include:

- All stage 3 assets, regardless of the class of financial assets.
- The corporate lending portfolio
- The large and unique exposures of the small business lending portfolio.
- The treasury, trading and interbank relationships (such as Due from Banks, Cash Collateral On securities borrowed and reverse repurchase agreements and debt instruments at amortized cost/FVOCI.

Asset classes where the Company calculates ECL on a collective basis include:

- The smaller and more generic balances of the Company's retail business lending
- Stage 1 and 2 Retail mortgages and Consumer lending

The Company groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, as described below:
For consumer lending, these are:

- Product type (overdraft, unsecured personal loan, etc.)
- Internal grade
- Geographic location/residence of the borrower.
- Utilization
- In the case of an overdraft, whether or not borrowers repay their balances in full every month
- Exposure value

For small business lending, these are:

- Borrower's industry
- Internal credit grade
- Geographic location
- Exposure value
- Collateral type

**Incorporation of forward-looking information**

The company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The company formulates three economic scenarios:

- A base case, which is the median scenario assigned a 70% probability of occurring, and
- Two less likely scenarios, one upside and one downside, each assigned a 15% probability of occurring.

The base case is aligned with information used by the company for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities.

Periodically, the company carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios.
The company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk for wholesale portfolios are GDP growth, unemployment rates, and interest rates.

For exposures to specific industries, the key drivers also include relevant commodity prices. The key drivers for credit risk for retail portfolios are unemployment rates and interest rates.

**Measurement of ECL**

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD):
- Loss given default (LGD): and
- Exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12 months PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD. The methodology of estimating PDs, LGD and EAD has been discussed above.

**Concentration of credit risk**

The company monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk from loans and advances is shown below.

**Carrying amount**

| **Concentration by product:** | **Loans and advances to customers** | |
|---|---|---|
| | **2023** | **2022** |
| | **GH¢** | **GH¢** |
| Overdrafts | 43,940,529 | 26,618,769 |
| Term loans | 294,387,993 | 219,503,028 |
| Staff loans | 3,957,689 | 1,989,873 |
| Gross loans and advances | 342,286,211 | 248,111,670 |
| Less: Allowance for expected credit losses | (8,803,122) | (8,666,984) |
| **Net loans and advances** | **333,483,089** | **239,444,686** |

**Carrying amount**

| Concentration by industry: | Loans and advances to customers | |
|---|---|---|
| | **2023** | **2022** |
| | **GH¢** | **GH¢** |
| Agriculture, forestry & fishing | 44,796,978 | 25,830,077 |
| Commerce & finance | 175,519,605 | 108,875,621 |
| Manufacturing | 61,425,124 | 33,144,586 |
| Services | 34,541,095 | 32,676,539 |
| Transport, storage & communication | 26,003,409 | 47,584,847 |
| Gross loans and advances | 342,286,211 | 248,111,670 |
| Less: Allowance for expected credit losses | (8,803,122) | (8,666,984) |
| **Net loans and advances** | **333,483,089** | **239,444,686** |

**Key ratios on loans and advances**

i. Loan loss provision ratio is 2.57% (2022: 3.49%).

ii. Percentage of gross non – non-performing loans with respect to Bank of Ghana Prudential Norms(individually impaired) to total gross loans and advances is 2.91% (2022: 3.98%).

iii. The ratio of the twenty (20) largest exposure (gross funded) to total exposure is 5.68% (2022: 6.16%).

**Analysis of credit quality**

The tables below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the company against those assets.

| | Loans and advances | | Investment securities | | Cash and bank balances | | Commitments | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Gross carrying amount | 342,286,211 | 248,111,670 | 80,594,593 | 35,949,930 | 43,682,369 | 26,278,756 | 15,098,915 | 12,276,691 |
| Allowance for expected credit losses | (8,803,122) | (8,666,984) | (4,097,853) | (1,229,537) | (265,014) | (3,895) | (618,811) | (554,370) |
| Net carrying amount | 333,483,089 | 239,444,686 | 76,496,740 | 34,720,393 | 43,417,355 | 26,274,861 | 14,480,104 | 11,722,321 |

**Analysis of credit quality**

| | Loans and advances | | Investment securities | | Cash and bank balances | | Commitments | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| At amortized cost | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Stage 1 | 324,373,278 | 232,333,281 | 77,269,434 | 32,324,771 | 43,682,369 | 26,278,756 | 15,098,915 | 12,276,691 |
| Stage 2 | 6,890,138 | 2,066 | - | 3,625,159 | - | - | - | - |
| Stage 3 | 11,022,795 | 15,776,323 | 3,325,159 | - | - | - | - | - |
| Gross carrying amount | 342,286,211 | 248,111,670 | 80,594,593 | 35,949,930 | 43,682,369 | 26,278,756 | 15,098,915 | 12,276,691 |
| Allowance for expected credit losses | (8,803,122) | (8,666,984) | (4,097,853) | (1,229,537) | (265,014) | (3,895) | (618,811) | (554,370) |
| Net carrying amount | 333,483,089 | 239,444,686 | 76,496,740 | 34,720,393 | 43,417,355 | 26,274,861 | 14,480,104 | 11,722,321 |

**Analysis of credit quality**

The tables below set out information about the credit quality of financial assets for which the expected credit loss allowance is recognized.

| | Loans and advances | | Investment securities | | Cash and bank balances | | Commitments | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Gross carrying amount | 248,111,670 | 197,649,207 | 35,949,930 | 36,097,767 | 26,278,756 | 18,857,741 | 12,276,691 | 6,267,851 |
| Allowance for expected credit losses | (8,666,984) | (7,931,704) | (1,229,537) | (862,661) | (3,895) | (2,951) | (554,370) | (283,123) |
| Net carrying amount | 239,444,686 | 189,717,503 | 34,720,393 | 35,235,106 | 26,274,861 | 18,854,790 | 11,722,321 | 5,984,728 |

**Analysis of credit quality**

| | Loans and advances | | Investment securities | | Cash and bank balances | | Commitments | |
|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| At amortized cost | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| Stage 1 | 232,333,281 | 186,362,373 | 32,324,771 | 35,735,146 | 26,278,756 | 18,857,741 | 12,276,691 | 6,267,851 |
| Stage 2 | 2,066 | 4,585,462 | 3,625,159 | 362,621 | - | - | - | - |
| Stage 3 | 15,776,323 | 6,700,319 | - | - | - | - | - | - |
| Gross carrying amount | 248,111,670 | 197,649,207 | 35,949,930 | 36,097,767 | 26,278,756 | 18,857,741 | 12,276,691 | 6,267,851 |
| Allowance for expected credit losses | (8,666,984) | (7,931,704) | (1,229,537) | (862,661) | (3,895) | (2,951) | (554,370) | (283,123) |
| Net carrying amount | 239,444,686 | 189,717,503 | 34,720,393 | 35,235,106 | 26,274,861 | 18,854,790 | 11,722,321 | 5,984,728 |

**Impairment assessment**

For accounting purposes, the company uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognized when objective evidence of a specific loss event has been observed. Triggering events include the following.

- A breach of contract such as a default of payment.
- Other observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

**Individually assessed allowances**

The company determines the allowances appropriate for each individually significant loan or advance on an individual basis, taking into account any overdue payments of interest and credit. Items considered when determining allowance amounts include the realistic value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

**Collectively assessed allowances**

Allowances are assessed collectively for losses on loans and advances that are not individually significant or classified as performing and for individually significant loans and advances that have been assessed individually and found not to be impaired. The company generally bases its analyses on historical experience.

**Market risk analysis**

The company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk which result from both its operating and investing activities.

**Foreign currency sensitivity**

Most of the company’s transactions are carried out in Ghana cedi. Exposures to currency exchange rates arise from the company’s purchases, which are primarily denominated in US dollars (USD). To mitigate the company’s foreign currency risk, non-GH¢ cash flows are monitored in accordance with the company’s risk management policies.

**Interest rate sensitivity**

The company’s policy is to minimize interest rate cash flow risk exposures on medium-term financing and investing activities. The company has no interest rate risk as its investments are held at fixed rate.

**Liquidity risk analysis**

Liquidity risk is the risk that the Company is unable to meet its obligations when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Company will be unable to do so is inherent in all banking operations and can be affected by a range of institution -specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

**Liquidity risk management process**

The company's liquidity management process, as carried out within the Company and monitored by the finance committee, includes:

• day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Company maintains an active presence in the money market to enable this to happen;

• maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

• monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements and;

• managing the concentration and profile of debt maturities.

**Liquidity risk measurement**

The company prepares and uses liability mismatch reports to manage funding needs. The weekly liquidity mismatch report is used to measure the ability of the company to meet maturing liability obligations. This is supplemented by weekly cash flow reports produced to show the projected cash flow on a daily basis incorporating projected customer withdrawals, including credit disbursements, as well as deposits.

The deposit concentration ratio is monitored to ensure that the decisions of individuals and or groups of depositors do not severely impact liquidity. The monthly deposit concentration report is examined as part of the Assets and Liabilities Committee (ALCO) process and the necessary preventive/ remedial action taken.

**Liquidity crisis management**

A liquidity crisis is defined as a condition where the company is unable to meet maturing liabilities/or regulatory reserve requirements due to inadequate liquid assets or a condition that arises from a sudden deterioration of the perceived safety and credibility of the company resulting in substantial withdrawal of funds by depositors. This is deemed to have occurred when any of the following conditions exist:

• Liquidity guidelines/ratios were not breached during the year.

Management has in place a Contingency Action Plan that seeks to manage the liquidity crisis. The plan includes action points together with responsibilities for ensuring that steps are taken to manage the crisis.

The net liquidity gap resulting from the liquidity analysis of assets and liabilities of the company as of 31 December 2023 is shown below.

**Maturity analysis of assets and liabilities**

The table shows a summary of assets and liabilities analyzed according to their undiscounted contractual terms of the transactions and models of historic client behavior as well as conventional assumptions for some balance sheet items.

**Managing liquidity risk (Contractual maturity date)**

| As at 31 December, 2023 | Total | Below 3 Months | 3 to 6 Months | 6 to 12 Months | Above 1 Year |
|---|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| **Liabilities** | | | | | |
| Bank overdrafts | 1,773,104 | - | - | 1,773,104 | - |
| Deposits from customers | 348,375,972 | 99,565,854 | 54,764,702 | 52,256,396 | 141,789,020 |
| Borrowings | 78,424616 | 7,849,075 | - | - | 70,575,541 |
| Other liabilities | 15,798,627 | 1,266,770 | 980,676 | 8,538,671 | 5,012,510 |
| **Total liabilities** | **444,332,319** | **108,681,699** | **55,745,378** | **62,568,171** | **217,377,071** |
| **Assets** | | | | | |
| Cash and cash equivalents | 43,417,355 | 43,417,355 | - | - | - |
| Investment securities | 76,496,740 | 16,342,484 | 21,871,768 | 38,282,488 | - |
| Loans and advances | 333,483,089 | 151,571,099 | 69,950,762 | 62,982,358 | 48,978,870 |
| Other assets | 6,354,677 | 1,906,402 | 1,270,936 | 635,468 | 2,541,871 |
| **Total assets** | **459,751,861** | **213,237,340** | **93,093,466** | **101,900,314** | **51,520,741** |
| **Net liquidity gap** | **15,419,542** | **104,555,641** | **37,348,088** | **39,332,143** | **(165,856,330)** |

| As at 31 December, 2022 | Total | Below 3 Months | 3 to 6 Months | 6 to 12 Months | Above 1 Year |
|---|---|---|---|---|---|
| | GH¢ | GH¢ | GH¢ | GH¢ | GH¢ |
| **Liabilities** | | | | | |
| Bank overdrafts | 6,057,472 | - | - | 6,057,472 | - |
| Deposits from customers | 218,894,546 | 62,560,062 | 34,410,222 | 32,834,182 | 89,090,080 |
| Borrowings | 60,895,244 | 6,638,054 | - | - | 54,257,190 |
| Other liabilities | 7,696,752 | 207,976 | 423,732 | 4,899,231 | 2,165,813 |
| **Total liabilities** | **293,544,014** | **69,406,092** | **34,833,954** | **43,790,885** | **145,513,083** |
| | | | | | |
| **Assets** | | | | | |
| Cash and cash equivalents | 26,274,861 | 26,274,861 | - | - | - |
| Investment securities | 34,720,393 | 7,417,538 | 9,927,173 | 17,375,682 | - |
| Loans and advances | 239,444,686 | 108,829,789 | 50,225,450 | 45,222,056 | 35,167,391 |
| Other assets | 8,179,523 | 2,453,856 | 1,635,905 | 817,953 | 3,271,809 |
| **Total assets** | **308,619,463** | **144,976,044** | **61,788,528** | **63,415,691** | **38,439,200** |
| | | | | | |
| **Net liquidity gap** | **15,075,449** | **75,569,952** | **26,954,574** | **19,624,806** | **(107,073,883)** |

**Concentration risk**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the company's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

**Capital risk management**

The company's objectives when managing capital are to comply with the capital requirements set by the Bank of Ghana, to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

At present the Bank of Ghana requires non-bank financial institution to maintain a capital adequacy ratio (regulatory capital to weighted risk assets) at a minimum of 10%.

Regulatory capital as defined by the Bank of Ghana has two components:

Tier 1 capital: share capital arising on permanent shareholders' equity, income surplus and reserves created by appropriations of income surplus. The book value of any goodwill is deducted in arriving at Tier 1 capital; and

Tier 2 capitals: qualifying subordinated loan capital, and unrealized gains arising on the fair valuation of equity instruments held as available for sale. For an instrument to qualify as subordinated loan capital, it should possess the following attributes:

- Should be unsecured
- Repayment is subordinated to other debt instruments:
- Should have a minimum original fixed term to maturity of over 5 years; and
- Not available to absorb the losses of a company which continues trading.

The permissible amount of total qualifying subordinated loan capital is limited to a maximum of 50% of Tier 1 capital. The risk-weighted assets are measured in accordance with the guidelines as provided by the Bank of Ghana. It takes into account the nature of, and reflecting an estimate of credit, market and other risks associated with each asset and counterparty.

The table below summarizes the composition of regulatory capital, total weighted risk assets and the capital, total weighted risk assets and the capital adequacy ratios of the company at the reporting dates.

| **Capital Adequacy Ratio** | **2023** | **2022** |
|---|---|---|
| **Adjusted Capital Base** | **GH¢** | **GH¢** |
| Ordinary share capital (1) | 33,500,000 | 33,500,000 |
| Disclosed reserves (2) | (2,774,132) | (5,896,472) |
| Tier 1 Capital (3) = (1+2) | **30,725,868** | **27,603,528** |
| **Less: Intangibles Assets (4)** | **(1,999,568)** | **(1,416,572)** |
| **Adjusted Capital Base (5) = (3-4)** | **28,726,300** | **26,186,956** |
| | | |
| Add: | | |
| Subordinated Term Debt (Limited to 50% of 5) (6) | 14,363,150 | 13,093,478 |
| **Adjusted Capital Base (7)** | **43,089,450** | **39,280,434** |
| | | |
| **Adjusted Asset Base** | | |
| Total Assets (8) | 475,778,515 | 321,226,504 |
| Less Contra Items: | | |
| Cash on Hand (9) | 16,337,472 | 10,269,174 |
| Treasury Bills (10) | 27,919,445 | - |
| Intangible Assets (11) | 1,999,568 | 1,416,572 |
| 80% of claims on other banks (12) | 21,875,918 | 12,807,666 |
| 50% of claims on other financial institutions (13) | 26,337,574 | 17,974,965 |
| Adjusted Total Assets (14) = (8-(9+10+11+12+13)) | 381,308,539 | 278,758,127 |
| 100% of 3 years average annual gross income (14) | 47,949,579 | 41,111,289 |
| **Adjusted asset base (16) = (14+15)** | **429,258,118** | **319,869,416** |
| | | |
| **Capital Adequacy Ratio (7/16) %** | **10.04** | **12.28** |

**Capital allocation**

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the finance and operation and is subject to review by the board as appropriate. Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the company to particular operations or activities, it is not the sole basis used for decision-making. Consideration also is made of synergies with other operations and activities, the availability of management and other resources, and the capability of the activity with the company's longer-term strategic objectives. The company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

**Operational risk**

'Operational risk' is the risk of direct or indirect loss that the Company will suffer due to an event or action resulting from the failure of its internal processes, people and systems, or from external events. Key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks. The Company manages its operational risk at three distinct levels, each with clearly defined roles and responsibilities as follows:

**Business units and support functions**

Business Units and Support Functions are responsible for understanding the operational risk inherent in their material products, activities, processes and systems. They are responsible for the consistent implementation of the operational risk management framework on a day-to day basis. This includes identifying the risks, establishing controls, and managing the risks in accordance with the Bank's overall risk tolerance and operational risk policies.

**Operations department**

The department has direct responsibility for formulating and implementing the Bank's operational risk framework including methodologies, policies and procedures approved by the Board. The department works with the Business Units and Support Functions to ensure that the day-to-day operations of the Bank are in line with the approved Operational risk policies. The unit provides training and workshops to facilitate interpretation and implementation of the various operational risk programs. The department continuously monitors the effectiveness and quality of the controls and risk mitigation tools.

**Internal audit**

The mission of Internal Audit is to provide an independent assurance of the design and effectiveness of internal controls over the risks to the Company's business performance. In carrying out this function, Internal Audit provides specific recommendations for improving the governance, risk & control framework.

The role of the Internal Audit function is to conduct regular independent evaluation and review of the Company's policies, procedures and practices in relation to the Operational risk policy and report the results to the Board.

**COVID-19 impact on the company for the year ended 31 December 2020**

Due to the corona virus (COVID-19) pandemic, governments across the world declared national lockdowns, which resulted in extensive travel restrictions and quarantine measures being implemented. Businesses globally have had to limit or suspend their operations and as such, the COVID-19 measures implemented by governments globally have severely impacted a wide range of industries, including the financial sector.

The corona virus was first detected in Ghana on March 12, 2020. The country went into 2-weeks partial lockdown which had a devastating effect on the economy and disrupted every facet of social life. The Bank of Ghana took measures to mitigate the negative impact of Covid-19 by cutting interest rates and reserve requirements and decreasing banks' and non-bank financial institutions conservation buffers. It reduced interest from 16% to 14.5%. Bank of Ghana also issued instructions to banks to take steps to reduce the risk of spreading the virus. The regulator asked banks and non-banks financial institutions to ensure that bank-owned and bank-operated interfaces that customers interact with physically (e.g. banking halls, ATMs, money counting machines, etc.) are sanitized frequently. Due to the unprecedented nature of the COVID-19 pandemic, it is not possible to accurately predict the full extent and duration of its economic impact.

Non-financial risks emerging from global and local movement restrictions, and remote/rotation base working by employees, counterparties, clients and suppliers are constantly assessed, managed and governed the company and through the timely application of the company's risk management framework. The effects of COVID-19 virus currently, do not result in a material uncertainty on the Company's ability to continue as a going concern in the foreseeable future. Notwithstanding, the Company will closely monitor the emerging impact of the pandemic to ensure that they are appropriately mitigated.

## 38. POST-REPORTING DATE EVENTS

No event has occurred between 31 December 2023, the reporting date, and the date of authorization of the financial statements.

## 39. VALUE ADDED STATEMENTS

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Interest and other operating income | 119,769,401 | 87,286,403 |
| Direct cost of services | (80,267,598) | (63,252,134) |
| **Value added by banking services** | **39,501,803** | **24,034,269** |
| Non-banking income | 3,392,023 | 6,945,371 |
| Impairments | (3,367,371) | (747,881) |
| **Value added** | **39,526,455** | **30,231,759** |
| **Distributed as follows** | | |
| **To employees:** | | |
| Directors | (24,800) | (74,400) |
| Employee benefit obligation | (460,135) | 631,217 |
| Other employees | (30,556,374) | (25,472,183) |
| **To government** | | |
| **Income tax** | **(181,813)** | **(896,039)** |
| **To providers of capital** | | |
| Dividends to shareholders | - | - |
| **To expansion and growth** | | |
| Right of use | (1,818,040) | (1,506,526) |
| Depreciation | (2,327,014) | (1,155,881) |
| Amortization | (1,035,940) | (917,994) |
| **Retained earnings** | **3,122,339** | **839,953** |

## 40. REGULATORY DISCLOSURES

**Highlights of financial performance**

| | 2023 | 2022 |
|---|---|---|
| | GH¢ | GH¢ |
| Profit for the year | 3,122,339 | 839,953 |
| Current assets | 459,751,861 | 308,619,463 |
| Current liabilities | 444,372,319 | 293,544,014 |
| Working capital | 15,379,542 | 15,075,449 |
| Equity | 30,725,868 | 27,603,529 |
| Income surplus | (11,813,804) | (11,979,783) |
| | % | % |
| Capital adequequacy ratio (%) | 10.04 | 12.28 |
| Non-performing loans ratio (%) | 2.91 | 3.98 |
| Loan loss provision ratio (%) | 2.57 | 3.49 |