LA COMMUNITY BANK LIMITED

REPORTS AND FINANCIAL
STATEMENTS
2016

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STATEMENTS

2016

LA COMMUNITY BANK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

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NOTICE OF MEETING

Notice is hereby given that the **Twenty-Ninth** Annual General Meeting of **LA COMMUNITY BANK LIMITED** will be held at the **PRESBYTERIAN CHURCH HALL, OSU** on **FRIDAY, 14TH JULY, 2017 at 10.00 a.m.** for the following purposes.

AGENDA

1. To receive and consider the Financial Statements for the year ended 31st December, 2016, together with the Reports of the Directors and Auditors thereon.
2. To declare dividend for the year ended 31st December, 2016
3. To re-elect retiring Directors
4. To appoint new Auditors- KPMG
5. To authorize the Directors to determine the remuneration of the Auditors.

Dated this 5th Day of June, 2017

L. S. N. AKUETTEH
SECRETARY

NOTE: 1. A copy of the Financial Statements for the year ended 31st December, 2016 together with the Reports of the Directors and Auditors has been published on the Bank's Website www.lacommunitybank.com

All shareholders are encouraged to visit the website and print copies for their study and necessary action.

2. A member of the Company entitled to attend and vote is entitled to appoint a proxy. A proxy need not be a member of the Company.

LA COMMUNITY BANK LIMITED

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CORPORATE INFORMATION

Board Members	Mr. B. A. Gogo	(Chairman)
	Dr. Nii Kwaku Sowa	(Vice Chairman)
	Mrs. Helen Koshie Lokko	(Member)
	Mr. Amarkai Amarteifio	(Member)
	Mr. Benjamin Obodai	(Member)
	Mr. Nicholas Okoe Sai	(Member)
	Dr. (Mrs.) Matilda Pappoe	(Member)
	Prof. (Mrs.) Irene K. Odotei	(Member)
	Mr. Peter Tehova	(General Manager)

Secretary	Mr. L. S. N. Akuetteh
Registered Office	No. G224/1 Lami Jwahe Post Office Box LA 499 La - Accra
Auditors	At - Ernest Dawlah Chartered Accountants & Management Consultants Third Floor Diamond House, Kinbu Road, Accra. Post Office Box GP 3934, Accra - Ghana
Registrars	Universal Merchant Bank Registrars 123 Kwame Nkrumah Avenue, Sethi Plaza, Adabraka P. O Box GP 401, Accra, Ghana.
Solicitors	Nsiah Akuetteh & Co 21 Samora Machel Road Asylum Down, Accra P. O. Box A 329 La - Accra.

LA COMMUNITY BANK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FINANCIAL HIGHLIGHTS

	2016 GH¢	2015 GH¢	PERCENTAGE CHANGE (%)
At 31st December			
Money Market Investments	21,362,022	21,252,588	1
Loans and Advances to Customers	4,289,907	3,567,776	20
Total Assets	47,431,157	34,983,585	36
Customers' Deposits	33,329,680	24,089,575	38
Shareholders' Funds	11,384,068	9,299,651	22
For the year ended 31st December			
Profit Before Taxation	2,092,643	1,784,220	17
Profit After Current Taxation	1,281,692	1,605,188	(20)
Profit After Current and Deferred Taxation	2,640,956	1,756,674	50
Earnings Per Share	0.1453	0.0967	50
Proposed Dividend per Share	0.0455	0.0455	-

CHAIRMAN'S STATEMENT

Introduction

Distinguished Shareholders,
It gives me great pleasure to warmly welcome you, on behalf of the Board, to the 29th Annual General Meeting of La Community Bank.

The year 2016 was a better year in terms of the Bank's financial performance and I am pleased to share with you the performance of your Bank in this statement. However, before I do that, kindly permit me to set the tone with a few words on the economic environment in which the Bank operated in 2016.

The Economic Environment.

The economic environment in Ghana remained challenging throughout 2016 in view of the country's persistent macroeconomic imbalances. Businesses operated under a regime of a relatively tight fiscal and monetary policy due to the IMF bailout programme. Additionally, there were resource challenges, especially relating to Oil and Gas production and the lingering consequences of the power supply constraints experienced in the previous year.

At the end of 2016 the overall fiscal deficit had gone up to about 9% (on cash basis) against a projected figure of about 5% mainly due to poor oil and non-oil revenue performance and some large expenditure overruns. Headline Inflation continued to ease downwards in the last quarter of 2016. From the peak of about 19% in the first quarter of 2016, inflation broadly slowed down to about 15% by the end of the year. The Cedi recorded a cumulative depreciation of 9.6% against the US Dollar, compared with 15.7% in 2015. It remained relatively stable against the other major currencies for a greater part of the year.

The economic environment was also not helped by the tense political environment due to the uncertainties regarding the outcome of the Presidential and Parliamentary elections which, thankfully, passed off successfully.

Esteemed Shareholders, this was the economic environment within which your Bank did business in the year 2016.

Operating Performance

Despite the economic and political challenges in 2016, your Bank performed creditably by posting a 17% increase in Profit Before Tax from Ghc1.78 million in 2015 to Ghc2.09 million in 2016.
Interest Income increased by 19% from Ghc6.7 million in 2015 to Ghc8.0 million in 2016. Fees and Commission Income dropped by 12%. However Operating Expenses were largely held in check, increasing only marginally by less than 3% from Ghc5.25 million in 2015 to Ghc5.4 million in 2016.

Statement of Financial Position

Total Assets of the Bank grew significantly by 36% from GH¢34.9 million in 2015 to GH¢47.4 million in 2016. This was attributable to the growth in Investments from Customer Deposits and Retained Profits for the year 2016. Total Customer Deposits also increased by an appreciable 38% from GH¢24 million in 2015 to GH¢33.3 million in 2016, due to increased marketing activities and improvements in the Bank's Relationship Management.

Net loans and advances also saw an increase of 20% from Ghc3.5 million in 2015 to Ghc4.3 million in 2016. It is worth noting that the Bank has been recovering some of the long outstanding loans owed by customers and will continue to pursue all other debtors for satisfactory repayment arrangements in order to improve the Loan Book and maximize returns on these assets.
Though we continue to be prudent, the Bank will not relent in its efforts to identify and extend credit facilities

to credit-worthy customers because we take the pursuance of our core business very seriously. The urgent pursuit of our core business is even more imperative with the declining trend in interest rates, and the Bank will endeavour to take advantage of the promising economic environment to support as many credit-worthy businesses as possible. It is also our firm conviction that the Bank prospers when our customers prosper.

Appropriation

The Net Profit after deducting current Tax liability of Ghc523,161 which became available for appropriation was GH¢1,569,482. Out of this amount, GH¢330,119 has been transferred to the Statutory Reserve Fund, leaving a balance of GHc1,239,363

A provision of Ghc826,964 has also been made for dividend payment for 2016.

Esteemed Shareholders, your Bank, in demonstrating that it is alive to its corporate and social responsibility towards its local communities made numerous donations in the course of the year towards worthy causes. Additionally we have continued to honour our commitment to provide assistance to worthy projects in La by allocating GH¢50,000 to the La Township Development Fund and another GH¢50,000 to the La Education Fund.

During 2016, we re-organised the Bank's Scholarship Scheme to ensure that we bring efficiency and effectiveness to the awarding process in assisting needy students entering both Senior High School and the Tertiary Institutions. This year, we plan to award 9 more students with Bursaries to meet their school fees and educational expenses. This will bring to 132 the total number of scholarships granted since the inception of the scheme in the year 2002.

Dividend

The Board of Directors has proposed a Dividend of 4.55 Ghana Pesewas per share totalling GH¢826,964.00 for the year ended 31st December, 2016. In the course of this meeting, a resolution would be tabled for your approval to authorise the Directors to pay the Dividend.

Outlook for 2017

Ladies and gentlemen, the economic environment in the country is expected to improve steadily, though the financial services industry is expected to get even more competitive with entry of more Universal Banks and a multitude of Non-Bank Financial Institutions. We however remain committed to facing these challenges and ensuring that your investment in the Bank yields very good returns.

In that regard, I am pleased to announce that the sale of new Shares commenced on 1st March 2017. By buying more shares you enhance the Bank's resource base to better equip it to compete squarely with the resource-rich Universal Banks. It is our expectation that you will take advantage of this offer to increase your shareholding in the Bank for increased returns.

To further improve customer service and provide uninterrupted banking services to our clients day and night, we had planned to install an Automated Teller Machine at the Head Office Branch of the Bank. Unfortunately, the installation has delayed. We are, however, working hard to make this a reality in the shortest possible time.

We are also planning to leverage on the availability of technology to introduce other electronic banking products that provide better convenience and meet the needs of our customers. These, we believe, will enhance our business and improve our ability to serve you better.

In November this year, your Bank will be 30 years in existence. I wish to take this opportunity to salute all the pioneer Shareholders and promoters of this great Bank for your foresight and belief in the development of the people of La and its environs. The seed you helped to sow by your shares has now grown to become a force to reckon with as far as Rural and Community banking in Ghana is concerned. By your initiative and the hard work of the Board, Management and Staff, your Bank is now recognised as the Best Rural and Community Bank in the Greater Accra Region. It is now our aim to re-claim our pre-eminent position in the whole country. We know with your support, we shall succeed. Thank you very much.

Staff

Distinguished Ladies and Gentlemen, our commitment to the success of the Bank requires that we take our human resource development seriously. We therefore continue to pursue the professional development of our staff through education, training, coaching and mentoring. We also endeavour to create a congenial working environment for our staff to enable them give of their best.

Since the last AGM, the Bank has recruited a Risk and Compliance Manager, in the person of Mr. Reindorf-Elijah Akakpo to help proactively manage the risks the Bank faces in its day to day operations. His addition to the Management team is a further demonstration of our determination to ensure that the Bank is fully compliant with regulations and that the risks associated with its operations are carefully managed.

We have also began a rigorous Risk Training Programme for all our staff and Directors to enable every staff member and all Directors to fully appreciate and understand the need and purpose of Enterprise Risk Management and to ensure the stability, business continuity and growth of your Bank.

Conclusion

I will like to conclude by expressing our profound gratitude to our cherished customers and shareholders for their continued support and contribution to our success.

My thanks also go to the Management and Staff of the Bank for their hard work in 2016. It is our hope the results we are showing today will spur them on to work even harder in the year ahead.

I also wish to thank the members of the Board. Your guidance and support in steering the affairs of the Bank is very much appreciated.

Finally, I believe you will all join me in saying a big thank you to the Almighty God, who has given us life by His grace and mercy, and from whom we receive all our blessings.

Thank you and may God bless you.

CHAIRMAN
B. A. GOGO

PROFILE OF DIRECTORS STANDING FOR RE-ELECTION

MRS. HELEN KOSHIE LOKKO

Mrs. Helen Koshie Lokko holds ACIS(1958); ACCS(1959); and a Bachelor of Science {BSc}degree in Economics – 1962.

She was formerly the Managing Director of Ghana Commercial Bank with over 30 years experience in Banking. She held various Directorships in a number of Private Companies, State Enterprises, Financial Institutions and other Bodies. Formerly, Mrs. Lokko was a member of the Governing Council of the National Banking College, United Nations Environment Programme Advisory Group, and Vice President of the Ghana Association of Bankers.

DR. NII KWAKU SOWA

Nii Sowa is an economist by training, with wide experience in lecturing, research and policy analysis. He holds a doctorate degree in Economics. He lectured for several years at the University of Ghana, Legon, and was the Head of the Department of Economics between 1988 and 1992. He joined the Centre for Policy Analysis in 1996 as a Core Research Fellow, and was engaged in policy research for a period of 10 years.

Nii Sowa has served as an economic consultant to several international organizations. He has held several international lecturing and research positions at highly reputable foreign institutions including the Oxford University, the University of Warwick and the Overseas Development Institute, all in the UK. He was also a visiting scholar to the Research Department of the IMF in 1994 and the World Bank in 1997.

In 2005, Nii Sowa was appointed Director General of the Securities and Exchange Commission. He served two terms in that position before retiring from the Public Service. He also served on the Monetary Policy Committee of the Bank of Ghana for 12 years.

Dr. Sowa is currently a consulting economist and is also the Country Director for the International Growth Centre.

PROFESSOR {MRS} IRENE KORKOI ODOTEI

A Senior Research Fellow, Institute of African Studies, University of Ghana, lecturing and researching into African History and Politics.

Prof. {Mrs} Irene Odotei holds a PhD from the University of Ghana – 1972, and various degrees from University of Copenhagen - 1968, University of London - 1965 and University of Ghana – 1967.
In academia, Prof. Odotei has widely published academic articles, journals, and books, mostly on historical research, chieftaincy and culture, fishing industry, and community development. She has also written and edited many video documentaries on cultural and social dimension.

She is a visiting Fellow to a number of universities, including University of Leiden - Holland, University of Trondheim - Norway, University of US Virgin Island, and University of California - Los Angeles.

Prof. Irene Odotei is a former member of the Judicial Council of Ghana, National Peace Council and the Presidential Commission for Chieftaincy Affairs, and current President of the Historical Society of Ghana. She also holds membership / directorship positions in various organisations including La Mansaamo Kpee and Ghana Academy of Arts and Sciences.

REPORT OF DIRECTORS

TO THE MEMBERS OF LA COMMUNITY BANK LIMITED

Report on the Financial Statements

The Directors have the pleasure in presenting their report together with the Financial Statements of the Bank for the year ended 31st December, 2016

Statement of Directors' Responsibilities

The Bank's Directors are responsible for the preparation and fair presentation of these Financial Statements in accordance with the International Financial Reporting Standards (IFRS) and in a manner required by the ARB Apex Bank Limited Regulations, 2006 L.I. 1825, the Companies Act 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738) and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether through fraud or error.

The Directors have made assessment of the ability of the Bank to continue as a going concern and have no reason to believe that the Bank will not be a going concern in the foreseeable future. The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time, the Financial Position of the Bank. The Directors are also responsible for safeguarding the assets of the Bank and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal Activities

There was no change in the principal business of the Bank as at the year end.

Shareholding Structure

The Bank has met the Central Bank's minimum capital requirement for Rural and Community Banks as at 31st December 2016.

Statutory Reserve

In accordance with Section 29 (c) of the Banking Act, 2004 (Act 673) as amended, an amount of GH¢330,119 (2015: GH¢219,584) was transferred to the statutory reserve fund from retained earnings bringing the cumulative balance on the statutory reserve fund at the year end to GH¢ 2,494,636 (2015: GH¢2,164,517).

Auditors

The Auditors, Messrs. At– Ernest Dawlah, Chartered Accountants and Management Consultants, will cease to be in office, to be replaced by KPMG pursuant to Sections 134 and 135 of the Companies Act, 1963 (Act 179).

Financial Statements and Dividend

The Bank's results for the year are set out in the attached Financial Statements, highlights of which are as follows:

	2016	2015
	GH¢	GH¢
Balance brought forward on the Income Surplus Account at 1st January was	4,220,488	3,393,548
To which was added profit for the year due shareholders after Charging all expenses and depreciation	2,640,956	1,756,674
Out of which was transferred to the statutory reserve fund in accordance with Section 29 of the Banking Act an amount of	(330, 119)	(219,584)
and Dividend paid of	(610,402)	(710,150)
Leaving a balance carried forward on the Income Surplus Account as at 31st December of	**5,920,923**	**4,220,488**

Provision for Dividend

The Directors recommend the payment of a dividend of GH¢ 0.0455 for 2016 (2015: GH¢0.0455) per share amounting to GH¢826,964. (2015: GH¢826,964).

Approval of Financial Statements

The Financial Statements and accompanying notes were approved by the Board of Directors on the 30th May, 2017 and signed on their behalf by:

....	....
B. A. GOGO	**P. K. TEHOVA**
Director	**Director**

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LA COMMUNITY BANK LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

In our opinion, the accompanying financial statements give a true and fair view of the financial position of La Community Bank Limited as at 31st December 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

What we have audited

The financial statements on pages 15 to 57 comprise:

- The statement of financial position as at 31 December 2016
- The statement of comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies

We have audited the Financial Statements of La Community Bank Limited (the Bank) for the year ended 31st December 2016.

Basis of 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 Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 1963 (Act 179) and the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act738), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are responsible for overseeing the financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and

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

We communicate with 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 identify during our audit.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

- In our opinion proper books of account have been kept by the Bank, as far as appears from our examination of those books; and

- The Bank's balance sheet (statement of financial position) and the Bank's profit and loss account (part of the statement of comprehensive income) are in agreement with the books of account.

In accordance with Section 78(2) of the Banking Act 673, 2004 (Act 673) we hereby confirm that;

- We were able to obtain all the information and explanations required for the efficient performance of our duties as auditors;

- In our opinion, the accounts give a true and fair view of the state of the Bank's affairs and its results for the year ended 31st December 2016;

- In our opinion, the Bank's transactions were within its powers; and

- The Bank in all material respects complied with the requirements of the Banking Act, 2004 (Act 673) as amended.

Signed By: D.D Dawlah (ICAG/P/1016)

For and on behalf of

At - Ernest Dawlah (ICAG/F/2013/095)

Chartered Accountants & Management Consultants

Third Floor, Diamond House

P.O.Box GP. 3934

Accra.

Date:……**May 30, 2017**…….

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2016

	Note	31/12/2016 GH¢	31/12/2015 GH¢
Interest Income	5	8,004,485	6,709,795
Interest Expense	6	(1,101,915)	(563,850)
Net Interest Income		**6,902,570**	**6,145,945**
Loan Impairment Charge	7	47,101	(11,854)
Net Interest Income after Loan Impairment Charge		**6,949,671**	**6,134,091**
Fee and Commission Income	8	541,420	617,967
Net Trading Income		**7,491,091**	**6,752,058**
Other Operating Income	9	10,739	289,139
Operating Expenses	10	(5,409,186)	(5,256,977)
Profit Before Taxation		**2,092,643**	**1,784,220**
Income Tax Expense	11	548,313	(27,546)
PROFIT FOR THE YEAR		**2,640,956**	**1,756,674**
Other Comprehensive Income:			
Items that will be subsequently reclassified to profit or loss:			
Fair value gain on investment securities available for sales	14	-	6,865
Movement in Credit Risk Reserves	13	71,817	(2,111,846)
Related Tax	11	(17,954)	168,948
Other Comprehensive Income for the year, net of tax		**53,863**	**(1,936,033)**
Total Comprehensive Income for the year		**2,694,819**	**(179,359)**

Notes 1- 26 form an intergral part of these Financial Statements and must be read in conjunction therewith.

LA COMMUNITY BANK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2016

	Note	31/12/2016 GH¢	31/12/2015 GH¢
Assets			
Cash and Cash Equivalents	12	27,299,102	26,143,767
Loans and Advances to Customers	13	4,289,907	3,567,776
Investment Securities - Held to Maturity	14	8,684,874	435,567
Investment Securities - Available for Sale	14	232,040	232,040
Other Assets	15	1,205,222	832,776
Property, Plant and Equipment	16	3,377,422	3,184,691
Deferred Tax	11	2,342,590	586,968
Total Assets		**47,431,157**	**34,983,585**
Equity and Liabilities			
Liabilities			
Deposit from Customers	17	33,329,680	24,089,575
Provisions	24	298,799	226,287
Deferred Tax Liabilities	11	586,609	172,296
Income Tax Liability	11	238,748	66,939
Employee Benefit Obligation	18	71,800	67,693
Other Liabilities	19	1,521,453	1,061,144
		36,047,089	**25,683,934**
Equity attributable to Shareholders			
Share Capital	20	1,527,905	1,527,905
Retained Earnings	23	5,920,923	4,220,488
Statutory Reserves	21	2,494,636	2,164,517
Other Reserves	22	1,440,604	1,386,741
Total Equity		**11,384,068**	**9,299,651**
Total Equity and Liabilities		**47,431,157**	**34,983,585**

Approved by the Board on 30th May, 2017 and signed by:

Chairman: S. Ahurtre **Director:**

Notes 1- 26 form an integral part of these Financial Statements and must be read in conjunction therewith.

LA COMMUNITY BANK LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share Capital GH¢	Retained Earnings GH¢	Statutory Reserves GH¢	Other Reserves GH¢	Total Equity GH¢
Balance at 1 January 2015	1,527,905	3,393,548	1,944,933	3,322,774	10,189,160
Adjusted balance at 31 December 2015	1,527,905	3,393,548	1,944,933	3,322,774	10,189,160
Profit or loss					
Profit for the year	-	1,756,674	-	-	1,756,674
Other Comprehensive income					-
Fair value gain/loss on available for sale instruments	-	-	-	6,865	6,865
Excess of statutory impairment over IFRS impairment charge	-	-	-	(2,111,846)	(2,111,846)
Transfer from profit or loss	-	-	-	-	-
Related tax	-	-	-	168,948	168,948
Total comprehensive income or loss	**-**	**1,756,674**	**-**	**(1,936,033)**	**(179,359)**
Dividend paid		(710,150)			(710,150)
Transfers from retained earnings to statutory reserves	-	(219,584)	219,584	-	-
At 31 December 2015	**1,527,905**	**4,220,488**	**2,164,517**	**1,386,741**	**9,299,651**
Balance at 1 January 2016	1,527,905	4,220,488	2,164,517	1,386,741	9,299,651
					-
Adjusted balance	1,527,905	4,220,488	2,164,517	1,386,741	9,299,651
Profit or loss					
Profit for the year	-	2,640,956	-	-	2,640,956
Other Comprehensive income					
Excess of statutory impairment over IFRS impairment charge	-	-	-	71,817	71,817
Transfer from profit or loss	-	-	-	-	-
Related tax	-	-	-	(17,954)	(17,954)
Total comprehensive income or loss	**-**	**2,640,956**	**-**	**53,863**	**2,694,819**
Dividend paid	-	(610,402)	-	-	(610,402)
Transfers from retained earnings to statutory reserves	-	(330,119)	330,119	-	-
At 31 December 2016	**1,527,905**	**5,920,923**	**2,494,636**	**1,440,604**	**11,384,068**

LA COMMUNITY BANK LIMITED

STATEMENT OF CASH FLOWS

	Note	31/12/2016 GH¢	31/12/2015 GH¢
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit Before Tax		2,092,643	1,784,220
Depreciation and amortisation	16	370,284	289,854
Net impairment loss on loans and advances	7	47,101	11,854
Net interest income	5,6	(6,902,570)	(6,145,945)
La Development and Education provision charge		-	-
Net expense on below market rate staff loans		(110,057)	(170,953)
		(4,502,599)	(4,230,970)
Changes in			
Loans and advances to customers		(722,131)	2,153,945
Other assets		(372,446)	(345,462)
Deposits from customers		9,240,105	(1,705,783)
Other liabilities and provisions		536,929	285,134
		4,179,859	(3,843,136)
Tax paid	11	(639,142)	(267,010)
Interest received		8,139,258	8,168,614
Dividend received		-	-
Interest paid	6	(1,101,915)	(563,850)
Net cash used in operation		**10,578,059**	**3,494,618**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	16	(563,015)	(318,431)
Proceed from sales of property, plant and equipment		-	-
Proceed from sales of investment securities	14	-	-
Acquisition of investment securities	14	(8,249,308)	(247,740)
Net cash used in investing activities		**(8,812,322)**	**(566,171)**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid	23	(610,402)	(710,150)
Increase in share capital		-	-
Net cash generated from financing activities		**(610,402)**	**(710,150)**
Increase in cash and cash equivalents		1,155,335	2,218,297
Cash and cash equivalent at the beginning of the year		26,143,767	23,925,470
Cash and cash equivalent at the end of the year		**27,299,102**	**26,143,767**

Notes 1- 26 form an integral part of these Financial Statements and must be read in conjunction therewith.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

1.0 General Information

La Community Bank is a limited liability company incorporated and domiciled in Ghana. The address of the Bank's registered office is G224/1 Lami Jwahe, P.O.Box LA 499, La, Accra.
The Bank operates with a Bank of Ghana Rural banking license. The Bank is primarily involved in corporate and retail banking, and microfinance.

1.1 Going Concern Status

The Financial statements have been prepared assuming the Bank will continue as a going concern into the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. In assessing whether the going concern assumption is appropriate, the Board takes into account all available information for the foreseeable future, in particular for the twelve months from the date of approval of the financial statements.

1.2 Composition of Financial Statements

The financial statements are presented in Ghana Cedi (GH˝), which is the functional currency of the Bank in accordance with International Financial Reporting Standards (IFRS). These financial statements prepared under IFRS comprise;

a. Statement of profit or loss and other comprehensive income

b. Statement of financial position

c. Statement of changes in equity

d. Statement of cash flows

e. Notes to the financial statements.

2.0 Summary of Significant Accounting Policies

2.1 Introduction to Summary of Accounting Policies

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

2.2 Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required under the Companies Act, 1963 (Act 179) and the Banking Act, 2004 Act 673 as amended by the Banking (Amendment) Act 2007, Act 738 have been included, where appropriate.

The financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings classified as property, plant and equipment, derivative financial instruments, available-for-sale (AFS) financial assets, contingent consideration and non-cash distribution liability that have been measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The financial statements are presented in GH¢ and all values are rounded to the nearest GH¢, except when otherwise indicated.

a. Financial Year

These financial statements cover the year ended 31 December 2016, with comparatives for the year ended 31 December 2015.

b. Statement of Compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Bank's accounting policies.

c. Use of Estimates and Judgements

The preparation of these 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, income and expenses. Actual results may differ from these estimates.

Critical judgements applied in arriving at these estimates are based on the best information available to Management at the times such estimates were made. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised.

2.3 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.
The Bank is viewed by Management as a single segment Bank.

2.4 Foreign Currency Translation

a. Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').The financial statements are presented in GH¢, which is the Bank's functional and presentation currency.

b. Transactions and balances

Foreign currency transactions are translated into the functional currency (GH¢) using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the statement of profit or loss and other comprehensive income, except where deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement as finance income or cost. All other foreign exchange gains and losses are presented in the income statement within the other gains /losses. Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between transaction differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in the profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in the profit or loss as part of their fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities classified as available for sale, are included in other comprehensive income.

2.5. Interest income and interest expense

Interest income and expense are recognized in profit or loss using the effective interest method.

When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation includes all transaction costs, fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

2.6 Fees and Commissions

Fees and commissions income and expense that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commissions income and expense are recognized on an accrual basis when the related services are performed. 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. Fees and commissions expenses, which relate mainly to transaction and service fees, are expensed as the related services are received.

2.7 Dividend Income

Revenue is recognised when the Bank's right to receive the payment is established, which is generally when shareholders approve the dividend.

2.8 Cash and Cash Equivalents

Cash and cash equivalents include notes and coins on hand, balances held with ARB Apex Bank Ltd, other bank balances and highly liquid financial assets with original maturities of six months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

2.9 Share Capital and Reserves

Share capital

The Bank classifies capital and equity instruments in accordance with the contractual terms of the instrument. Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.
Dividends on ordinary shares are recognized in the period in which they are approved by the shareholders. Dividend proposed which is yet to be approved by shareholders, is disclosed by way of notes.

Statutory reserves

Statutory reserves are based on the requirements of section 29(1) of the Banking Act.Transfers into statutory reserves are made in accordance with the relationship between the Bank's reserve fund and it's paid up capital, which determines the proportion of profits for the period that should be transferred.

(I) Where the reserve fund is less than fifty percent of the stated capital then an amount not less than 50% of net profit for the year is transferred to the reserve fund.

(ii) Where the reserve fund is more than 50% but less than 100% of the stated capital, then an amount not less than 25% of net profit is transferred to the reserve fund.

(iii) Where the reserve is equal to 100% of the stated capital, then an amount not less than 12.5% of the net profit for the year is transferred to the reserve fund.

Credit risk reserves

This is a reserve created to set aside the excess or shortfalls between amounts recognized as impairment loss on loans and advances based on provisions made for bad and doubtful loans and advances calculated in accordance with IFRS and the Bank's prudential guidelines.

2.10 Provisions

A provision is recognised if the Bank has a present legal or constructive obligation as a result of a past event, that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the accounting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the required cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Bank makes provisions in respect of La Township Development Fund and La Education Fund. The amount recognized as provision is the best estimate and is determined by the judgment of the Management of the Bank, supplemented by experience of similar transactions of the expenditure. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed into the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

2.11 Property, Plant and Equipment

Property, Plant and Equipment are stated at historical cost less accumulated depreciation and accumulated impairment; except land which is valued at fair value based on valuations by external independent valuers, less subsequent depreciation for buildings.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash fiow hedges of foreign currency purchases of Property, Plant and Equipment.

For land, valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land are credited to reserve. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity, all other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Asset category	Depreciation rate (years)
Buildings	25 - 50 years
Leasehold improvement	over the lease term
Office equipment (including computer and data processing equipment)	3 - 5 years
Furniture and fittings	3 - 8 Years
Motor Vehicles	4 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (losses)/gains – net' in the statement of profit or loss.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

2.12 Impairment of Non-Financial Assets

The carrying amounts of the Bank's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its recoverable amount.

The recoverable amount is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset

A previously recognised impairment loss is reversed where there has been a change in circumstances or in the basis of estimation used to determine the recoverable value, but only to the extent that the asset's net carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.13. Current and Deferred Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted (i.e. Income Tax Act, 2015 Act 896 as amended) at the statement of financial position date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities at statement of financial position date.
Income tax is determined by applying the current statutory rates on the taxable profit and adjusted profit respectively.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

2.14 Intangible Assets

a. Trademarks and Licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to five years.

b. Computer Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell thesoftwareproduct are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

2.15 Financial Assets and Liabilities

All financial assets and liabilities are recognized in the statement of financial position and measured in accordance with their assigned category.

The Bank initially recognizes loans and receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Bank commits to purchase or sell the asset. All financial assets are initially recognised at fair value plus transaction costs except financial assets classified as fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

a. Financial assets

The Bank classifies its financial assets in the following categories: held to maturity, loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

(I) Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables: Loans and receivables comprises cash and cash equivalents, advances to Banks, loans and advances to customers and other assets.
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and that the Bank does not intend to sell immediately or in the near term.
Loans and receivables are initially recognized at fair value plus incremental direct transaction costs, and subsequently measured at amortized cost using the effective interest method less any impairment losses.

(iii) Available-for-sale financial assets: Available-for-sale financial assets are financial assets that are not intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices that are not classified as held-to-maturity investments, financial assets at fair value through profit or loss or loans and receivables.

Available-for-sale investments comprise investment in equity securities.
Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition. Interest income is recognized in profit or loss using the effective interest method. Dividends on available-for-sale equity instruments are recognized in profit or loss in dividend income when the Bank's right to receive payment is established.

(iv) Held to maturity : Any sale or reclassification of a significant amount of held to maturity asset not close to their maturity would result in the reclassification of all held to maturity assets as available-for-sale, and would prevent the Bank from classifying investment securities as held-to-maturity for the current and the following two financial years. Differences between the carrying amount (amortized cost) and the fair value on the date of the reclassification are recognized in other comprehensive income.

b. Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost.
(i) Other liabilities measured at amortized cost
Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortized cost.
Financial liabilities measured at amortized cost include deposits from customers, other liabilities and deposits from other banks for which the fair value option is not applied.

c. Derecognition

(i) Financial assets
The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the

risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risk and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial asset that is created or retained by the Bank is recognized as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

(ii) Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

2.16 Fair Value Measurements

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 in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

For all financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	-	Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2	-	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3	-	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.17. Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them 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 under applicable accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

2.18 Impairment of Financial Assets

a. Assets carried at amortised cost
The Bank assesses whether there is objective evidence that a financial asset or group of financial assets is impaired at each reporting date. A financial asset or a group of financial assets is considered impaired only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a „loss eventfi) and that loss event (or events) has an impact on estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria used to determine whether there is objective evidence of an impairment loss include:

- significant financial difficulty faced by the issuer or obligor;
- a breach in the form of default or delinquency in interest or principal payments;
- granting the borrower, as a result of financial difficulty, a concession that the lender would not otherwise consider;
- a likely probability that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; and
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since their initial recognition, although the decrease cannot yet be identified with the individual assets in the group.

The Bank assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of estimated future cash flows of a collateralized financial asset reflects cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in groups of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period including property prices, payment status and other factors indicative of changes in the probability of losses and their magnitude. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all necessary procedures have been completed and the amount of loss has been determined. Impairment charges relating to loans and advances are recognized in loan impairment charges whilst impairment charges relating to investment securities (held to maturity and loans and receivables categories) are recognized in 'Net gains/(losses) on investment securities'.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can objectively be related to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account.
The amount of the reversal is recognized in profit or loss.

b. Assets classified as available for sale

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

2.19 Renegotiated Loans

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. If the cash flows of the renegotiated asset are substantially different, then the contractual right to cash flows from the original financial asset is derecognized and the new financial asset is recognized at fair value.

The impairment loss before an expected restructuring is measured as follows:

- if the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting dateusing the original effective interest rate of the existing financial asset

2.20. Employee Benefits

a. Defined Contribution Plan
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as personnel expenses in profit or loss in the period during which related services are rendered. The Bank has the following defined contribution scheme:

Mandatory Pension Schemes
Under the national pension scheme, the Bank contributes 13% of employees' basic salary to the mandatory pension scheme. The Bank's obligation is limited to the relevant contributions, which have been recognised in the financial statements. The pension liabilities and obligations, however, rest with SSNIT and the approved Trustee of the occupational pension scheme.

b. Short-term Employment benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans, if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.”

c. Other long-term benefits
Long service award
Long service awards accrue to employees based on graduated periods of uninterrupted service. This is the amount of future benefit that employees have earned in return for their service in the current and prior periods. These awards accrue over the service life of employees. Re-measurements made are recognised in profit or loss in the period in which they arise.

d. Profit sharing and bonus plans
The Bank recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit after tax after certain adjustments. The Bank recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

2.21 Leases

a. Lease payments - Lessee
Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.
Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

b. Lease assets - Lessee
Assets held by the Bank under leases that transfer to the Bank substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. .

Assets held under other leases are classified as operating leases and are not recognized in the Bank's statement of financial position.

2.22 Government Grant

Government grants related to assets, including non-monetary grants at fair value, are recognised when there is reasonable assurance that the Bank will comply with the conditions attaching to them and the grants will be received. The grant is measured at fair value and initially recognised as deferred income and amortized systematically into the profit or loss basis over the useful life of the asset.

2.23 Changes in Accounting Policies and Disclosures

New and amended standards and interpretations
The Bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.
The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual consolidated financial statements of the Bank. The nature and the impact of each new standard or amendment is described below:

a. Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Bank.

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b. IFRS 2 Share-based Payment
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The clarifications are consistent with how the Bank has identified any performance and service conditions which are vesting conditions in previous periods. In addition, the Bank had not granted any awards during the second half of 2014 and 2015. Thus, these amendments did not impact the Bank's financial statements or accounting policies.

c. IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Bank during the current period.

d. IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Bank.

e. IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Bank does not apply the portfolio exception in IFRS 13.

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

3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a. Property, Plant and Equipment
The Bank uses judgement to set estimated useful lives and residual values for its property, plant and equipment. This is the basis of the depreciation charge in the statement of profit or loss and other comprehensive income.

b. Impairment of Financial Assets
In line with the guidance of IAS 39 on financial instruments, the Bank uses judgement and estimates to determine the presence of objective evidence of impairment, assess credit risk and adjust the carrying value of financial assets to the appropriate values (NPV of the estimated cash flows/recoveries on balances with

impairment triggers (specific impairment) etc.)

c. Impairment of Non-Financial Assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Bank.

d. Fair Value Measurement of Financial Instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

4.0 RISK

4.1 Risk Management

Effective risk management is of critical importance and key to the delivery of sustainable returns for shareholders. Risk taking is an inherent part of the Bank's business activities and is defined as the possibility of losing some or all of an original investment. Risk management systems and governance structures are designed to reduce earnings volatility and achieve an appropriate balance between risk and reward and increased profitability.

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital.

Risk Management Framework
The risk management framework consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report significant risk exposure in a consistent and effective manner across the Bank. Through the framework, risk is managed at enterprise-wide level, with the objective of maximizing risk-adjusted returns within the context of the Bank's risk appetite.

The most important types of risk are credit risk, liquidity risk, market risk and operational risk.

- Credit risk reflects the possible inability of a customer to meet his/her repayment or delivery obligations.
- Liquidity risk results in the inability to accommodate liability maturities and withdrawals, fund asset growth or otherwise meet contractual obligations at reasonable market rates.
- Market risk, which includes foreign currency risk and interest rate risks, is the risk of fluctuation in asset and commodity values caused by changes in market prices and yields.

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- Operational risk is the potential loss resulting from inadequate or failed internal processes, systems, people, legal issues, external events and non -compliance with regulatory issues.

The Board of Directors have overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board's commitment to good risk management is supported by their continuing professional development in the field of risk management and their support for the implementation and continued improvement of the risk management framework within the Bank.

a. Credit risk:
- Credit risk analysis
- Collateral held and other credit enhancements

b. Liquidity risk:
- Exposure to liquidity risk
- Maturity analysis for financial liabilities and assets

c. Market risk:
- Exposure to market risk
- Exposure to interest rate risk
- Exposure to currency risk

d. Capital management:
- Regulatory capital

A. Credit Risk:
Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure – e.g. individual obligor default risk, country and sector risk.

A.1 Credit Quality Analysis
The following table sets out information about the credit quality of financial assets measured at amortised cost and available-for-sale debt assets. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

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31-Dec-16	Loans and advances to customers GH¢	Loans and advances to other banks GH¢	Investment securities at Available for Sale (Debt) GH¢	Lease receivables GH¢	Total GH¢
Grade1-3 Low to Fair Risk	3,111,998	-	232,040	-	3,344,038
Grade 4-5 WatchList	735,532	-	-	-	735,532
Grade 6 Substandard	1,772,465	-	-	-	1,772,465
Grade 7: Doubtful	-	-	-	-	-
Grade 8: Loss	8,040,273	-	-	-	8,040,273
	13,660,269	-	232,040	-	13,892,309
Allowance for Impairment Loss	(9,370,362)	-	-	-	(9,370,362)
Carrying Value	4,289,907	-	232,040	-	4,521,947

31-Dec-15	Loans and advances to customers GH¢	Loans and advances to other banks GH¢	Investment securities at Available for Sale (Debt) GH¢	Lease receivables GH¢	Total GH¢
Grade1-3 Low to Fair Risk	2,227,143	-	232,040	-	2,459,183
Grade4-5 Watch List	23,002	-	-	-	23,002
Grade 6 Substandard	26,287	-	-	-	26,287
Grade 7: Doubtful	35,553	-	-	-	35,553
Grade 8: Loss	8,466,606	-	-	-	8,466,606
	10,778,591	-	232,040	-	11,010,631
Allowance for Impairment Loss	(7,210,815)	-	-	-	(7,210,815)
Carrying Value	3,567,776	-	232,040	-	3,799,816

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Loans and advances to customers and other banks are summarised below based on their credit profiles:

	31-Dec-16		31-Dec-15	
	Loans and advances to customers	Loans and advances to other banks	Loans and advances to customers	Loans and advances to other banks
	GH¢	GH¢	GH¢	GH¢
Neither passed due nor impaired				
- 30 to 60 days	275,933	-	1,069,300	-
- 60 to 180 days	-	-	-	-
- 180 days +	-	-	-	-
Past due but not impaired				
- 30 to 60 days	-	-	-	-
- 60 to 180 days	-	-	-	-
- 180 days +	-	-	-	-
Individually impaired				
- 30 to 60 days	-	-	-	-
- 60 to 180 days	13,384,336		7,774,206	
- 180 days +	-	-	-	-
Gross	13,660,269	-	8,843,506	-
Allowance for Impairment Loss	(9,370,362)	-	(3,121,785)	-
Net (Carrying Value)	**4,289,907**	**-**	**5,721,721**	**-**

Allowance for Impairment Loss

Individual impairment	(9,317,455)	-	(6,928,047)	-
Collective impairment	(52,907)	-	(282,768)	-
	(9,370,362)	-	(7,210,815)	-

A.2 Collateral Held And Other Credit Enhancement

The Bank holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

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	Percentage of exposure subject to collateral requirement		Principal type of collateral held
	31-Dec-16	31-Dec-15	
Loans and advances to customers			
- Personal loans	0	0	
- Overdraft	100%	100%	Legal mortgages over commercial and residential properties; short term investments
- Staff loans	0	0	
- Term loans	100%	100%	Legal mortgages over commercial and residential properties; short term investments
- Other loans	0	0	

Loans and Advances to Customers

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all assets and other liens and guarantees.

Because of the Bank's focus on customersfi creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans and advances to customers. Valuation of collateral is updated for loans whose credit risk has deteriorated significantly and are being monitored more closely. For impaired loans, the Bank obtains appraisals of collateral because the current value of the collateral is an input to the impairment measurement.

B. Liquidity Risk

Liquidity risk is the risk that the Bank 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 or margin calls for derivatives.

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 Bank 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. "

B.1 Exposure to Liquidity Risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. Details of the reported Bank ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows.

	31-Dec-16	31-Dec-15
Average for the period	1.08	1.10

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B.2 Maturity Analysis for Financial Liabilities and Assets

The following tables set out the remaining contractual maturities of the Bank's financial liabilities and financial assets.

31-Dec-16	Carrying amount	Gross nominal inflow/ (outflow)	Less than 3 month	3 months-1 year	1 - 5 years	Above 5 years
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Financial liabilities by type:						
Non derivative financial liabilities						
Deposit from customers	33,329,680	33,329,680	-	33,329,680	-	-
	33,329,680	33,329,680	-	33,329,680	-	-
Financial assets by type:						
Non derivative financial assets						
Cash and cash equivalents	27,299,102	27,299,102	27,299,102	-	-	-
Loans and advances to customers	4,289,907	4,289,907	-	135,191	4,154,716	-
Investment securities Held to maturity	8,684,874	8,684,874	-	8,684,874	-	-
Investment securities Available for sale	232,040	232,040	-	232,040	-	-
	40,505,923	40,505,923	27,299,102	9,052,105	4,154,716	-

31-Dec-15	Carrying amount	Gross nominal inflow/ (outflow)	Less than 3 month	3 months-1 year	1 - 5 years	Above 5 years
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Financial liabilities by type:						
Deposit from customers	24,089,575	24,089,575	-	24,089,575	-	-
	24,089,575	24,089,575	-	24,089,575	-	-
Financial assets by type:						
Non derivative financial assets						
Cash and cash equivalents	26,143,767	26,143,767	26,143,767	-	-	-
Loans and advances to customers	3,567,776	3,567,776	-	720,890	2,846,886	-
Investment securities Held to maturity	435,567	435,567	-	435,567	-	-
Investment securities Available for sale	232,040	232,040	-	232,040	-	-
	30,379,150	30,379,150	26,143,767	1,388,497	2,846,886	-

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C. Market Risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The major measurement techniques used to measure and control market risk are outlined below:

Stress Test
Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Bank's Treasury include:

- risk factor stress testing, where stress movements are applied to each risk category;
- emerging market stress testing, where emerging market portfolios are subject to stress movements; and
- ad-hoc stress testing, which includes applying possible stress events to specific positions or regions for example, the stress outcome to a region following a currency peg break.

The results of the stress tests are reviewed by senior management in each business unit and by the Board of Directors. The stress testing is tailored to the business and typically uses scenario analysis.

C.1 Exposure to Interest Rate Risk

The tables below summarise the Bank's non-trading book fair value exposure to interest rate risks.

31-Dec-16	Carrying amount GH¢	Less than 3 month GH¢	3 months - 1 year GH¢	1 - 5 years GH¢	Above 5 years GH¢
Cash and cash equivalents	27,299,102	27,299,102	-	-	-
Loans and advances to customers	4,289,907	-	135,191	4,154,716	-
Investment securities Held to maturity	8,684,874	-	-	8,684,874	-
	40,273,883	27,299,102	135,191	12,839,591	-
Deposit from customers	(33,329,680)	(33,329,680)	-	-	-
	(33,329,680)	(33,329,680)	-	-	-
	6,944,202	**(6,030,579)**	**135,191**	**12,839,591**	**-**

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31- Dec-15	Carrying amount GH¢	Less than 3 month GH¢	3 months - 1 year GH¢	1 - 5 years GH¢	Above 5 years GH¢
Cash and cash equivalents	26,143,767	26,143,767	-	-	-
Loans and advances to customers	3,567,776	-	720,890	2,846,886	-
Investment securities Held to maturity	435,567	-	-	435,567	-
	30,147,110	26,143,767	720,890	3,282,453	-
Deposit from customers	(24,089,575)	(24,089,575)	-	-	-
Debt securities issued	-	-	-	-	-
	(24,089,575)	(24,089,575)	-	-	-
	6,057,535	**2,054,192**	**720,890**	**3,282,453**	**-**

The following is an analysis of the Bank's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

31-Dec-16	Carrying Value	Average interest rate	Impact on profit due to 100 basis point decrease in interest rate	Impact on profit due to 100 basis point Increase in interest rate
	GH¢	%	GH¢	GH¢
Deposit from customers	33,329,680	5%	(317,426)	317,426

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31-Dec-15	Carrying Value	Average interest rate	Impact on profit due to 100 basis point decrease in interest rate	Impact on profit due to 100 basis point Increase in interest rate
	GH¢	%	GH¢	GH¢
Deposit from customers	24,089,575	5%	(229,425)	229,425

C.2 Exposure to Currency Risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

As at the reporting date, there were no significant foreign currency exposures."

D. Capital Management

The Bank's policy is to maintain a strong capital base so as to maintain investor and market confidence and sustain future development of the business. The impact of the level of capital on shareholdersfi return is also taken into consideration in addition to security afforded by sound capital positions. The Bank complied with the statutory capital requirements throughout the period under review.

Capital adequacy and the use of regulatory capital are monitored daily by management, employing techniques based on guidelines developed by the Basel Committee as implemented by Bank of Ghana for supervisory purposes. The required information is filed with Bank of Ghana on a monthly basis. Bank of Ghana requires each bank to:

- Hold a minimum regulatory capital of GH¢ 300,000; and
- Maintain a ratio of total regulatory capital to risk-weighted assets plus risk weighted off balance sheet assets above a required minimum of 10%.

The Bank generally complied with all regulatory requirements.

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The Bank's capital is divided into two tiers:

Tier 1 capital includes ordinary paid up capital and disclosed reserves, excluding the value of assets such as investment in other banks and financial institutions.

Tier 2 capital is made up of reserves such as unrealized gains on equity instruments classified as available for sale which the bank does not have as at close of year 2016.

	31-Dec-16	31-Dec-15
Tier 1 Capital:	GH¢	GH¢
Ordinary Share Capital	1,527,905	1,527,905
Retained earnings	5,920,923	4,220,488
Other reserves	1,440,603	1,386,741
Statutory reserves	2,494,636	2,164,517
Other regulatory adjustments under Basel III	-	-
	11,384,068	**9,299,651**

4.2 Fair Values of Financial Instruments

A. Valuation Model
The bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable 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 in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable 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 for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premier used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

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B. Financial Instruments Measured at Fair Value (Fair Value Hierarchy)

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.
The amounts are based on the values recognised in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs."

31-Dec-16	Level 1	Level 2	Level 3		Total
	GH¢	GH¢	GH¢	GH¢	GH¢
Investment securities Held for trading					
Treasury bills	8,684,874	-	-	-	8,684,874
	8,684,874	-	-	-	8,684,874
Investment securities Available for sale					
Unquoted equity instruments	-	-	232,040	-	232,040
	-	-	232,040	-	232,040
Total	**8,684,874**	**-**	**232,040**	**-**	**8,916,915**

31-Dec-15	Note	Level 1	Level 2	Level 3		Total
		GH¢	GH¢	GH¢	GH¢	GH¢
Investment securities Held for trading						
Treasury bills		435,567	-	-	-	435,567
		435,567	-	-	-	435,567
Investment securities Available for sale						
Unquoted equity instruments		-	-	232,040	-	232,040
		-	-	232,040	-	232,040
Total		**435,567**	**-**	**232,040**	**-**	**667,607**

C. Fair Value Measurements

Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

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31-Dec-16	Unquoted equity instruments GH¢	Government bonds GH¢	Corporate bonds GH¢	GH¢	Total GH¢
At beginning	232,040				232,040
	-	-	-	-	-
At 31 December 2016	**232,040**	**-**	**-**	**-**	**232,040**

31-Dec-15	Unquoted equity instruments GH¢	Government bonds GH¢	Corporate bonds GH¢	GH¢	Total GH¢
At beginning	**225,175**	**-**	**-**	**-**	**225,175**
Total gain or loss:	-	-	-	-	-
in profit or loss	-	-	-	-	-
in OCI	6,865	-	-	-	**6,865**
At 31 December 2015	**232,040**	**-**	**-**	**-**	**232,040**

D. Financial Instruments not Measured at Fair Value

31-Dec-16	Level 1 GH¢	Level 2 GH¢	Level 3 GH¢	GH¢	Total GH¢
Assets					
Cash and cash equivalents	-	27,299,102	-	-	27,299,102
Loans and advances to customers	-	4,289,907	-	-	4,289,907
Investment securities Held to maturity	-	8,684,874	-	-	8,684,874
Other assets measured at amortised cost	-	-	-	-	-
	-	**40,273,883**	**-**	**-**	**40,273,883**
Liabilities					
Deposit from customers	-	33,329,680	-	-	33,329,680
Other liabilities measured at amortised cost	-	-	-	-	-
	-	**33,329,680**	**-**	**-**	**33,329,680**

31-Dec-15	Level 1 GH¢	Level 2 GH¢	Level 3 GH¢	GH¢	Total GH¢
Assets					
Cash and cash equivalents	-	26,143,767	-	-	26,143,767
Loans and advances to customers	-	3,567,776	-	-	3,567,776
Investment securities Held to maturity	-	435,567	-	-	435,567
Other assets measured at amortised cost	-	-	-	-	-
	-	**30,147,110**	**-**	**-**	**30,147,110**
Liabilities					
Deposit from customers	-	24,089,575	-	-	24,089,575
Other liabilities measured at amortised cost	-	-	-	-	-
	-	**24,089,575**	**-**	**-**	**24,089,575**

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		31-Dec-16 GH¢	31-Dec-15 GH¢
5	**Interest Income**		
	Interest income on loans to customers	1,430,049	811,238
	Interest income on investment securities Held to Maturity	6,574,436	5,898,557
		8,004,485	**6,709,795**

Interest income on loans and advances is based on amortised cost which allocates interest, and direct and incremental fees and costs, over the expected lives of the assets.

6	**Interest Expense**		
	Interest expense on customer's savings and fixed deposits	1,101,915	563,850
		1,101,915	**563,850**
7	**Loan Impairment Charge**		
	(Increase)/Decrease in specific and collective impairment	47,101	(11,854)
	Total loan impairment charge on loan and advances to customers	47,101	(11,854)
	Total loan impairment charge	**47,101**	**(11,854)**
8	**Fee and Commission Income**		
	Brokerage fees	152,940	128,319
	Clearing fees	7,875	21,412
	Commission on turnover	204,082	177,811
	Other fees and commissions	635	141,316
	Draft and transfer	27,083	19,062
	Money transfer	148,805	130,047
		541,420	**617,967**
9	**Other Operating Income**		
	Gain/losson sales of property plant and equipment	-	18,186
	Other income	-	270,953
	Income from Capital Grants	10,739	-
		10,739	**289,139**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

10	**Operating Expenses**	**31-Dec-16 GH¢**	**31-Dec-15 GH¢**
	Cleaning and Sanitation	48,098	47,266
	Directors' Remuneration	172,200	192,325
	Audit Fee	30,000	20,000
	Depreciation and Amortisation	370,285	289,854
	Staff Cost	3,120,297	2,714,933
	Adverts and Corporate Promotions	88,052	61,467
	Legal and Other Professional Fees	84,221	75,648
	Donation and Subscription	16,600	26,050
	Rents and Rates	73,848	26,383
	Stationery and Printing	104,459	111,531
	Other Operating Expenses	199,401	203,258
	Bank Charges	11,421	11,337
	Training	42,715	11,270
	Insurance	67,552	53,381
	Traveling Expenses	28,753	43,059
	Repairs and Maintenance	222,531	318,805
	Meeting Expenses	64,372	67,796
	Light and Water	395,792	210,287
	Office Expenses (a)	34,465	521,905
	Security Expenses	98,514	98,482
	Subscription	35,610	51,940
	Education and Development Support	100,000	100,000
		5,409,186	**5,256,977**

(a) Office Expense includes Write off adjustments of Gh¢ 478,185 at 31st December, 2015.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

11 TAXATION

11.1 Income Tax

	31-Dec-16 GH¢	31-Dec-15 GH¢
Company income tax	810,951	179,032
Total current tax charge	810,951	179,032
Deferred tax		
Origination and reversal of temporary differences	(1,359,264)	(151,486)
Total deferred tax charge	**(1,359,264)**	**(151,486)**
Income tax expense	**(548,313)**	**27,546**

Reconciliation of effective tax rate		**31/12/2016**		**31/12/2015**
Profit before income tax		2,092,643		1,784,220
Income tax expense calculated at 25% (2015 - 8%)	25%	523,161	8%	446,055.00
Effect of income that is exempt from taxation				
Non-deductible expenses		(1,804,853)		(2,051,243)
Effect of deferred tax on current year income statement		(1,359,264)		(151,486)
Total income tax expense in statement of profit or loss		(548,313)		27,546
Effective tax rate		**-26%**		**1.54%**

The tax rate used for 31 December 2016 and 31 December 2015 reconciliations above is the corporate tax rate of 25% payable by Rural Banks in Ghana on taxable profits under Income Tax Act, 2015 Act 896 as amended (2015: Internal Revenue Act 2000, Act 592 as amended).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

11.2 Income Tax Payable

The movement in the current income tax liability is as follows:	**31-Dec-16 GH¢**	**31-Dec-15 GH¢**
At 1 Jan	**66,939**	**154,917**
Tax paid	(639,142)	(267,010)
Income tax charge	810,951	179,032
Tax credits utilised	-	-
At 31 December	**238,748**	**66,939**
Current	238,748	66,939
Non-current	-	-
	238,748	**66,939**

11.3 Deferred Taxation

The analysis of deferred tax asset and deferred tax liabilities is as follows:

	31-Dec-16	**31-Dec-15 GH¢**
Deferred tax asset :		
Deferred tax asset to be recovered after more than 12 months	2,342,590	586,968
Deferred tax asset to be recovered within 12 months	-	-
	2,342,590	**586,968**
Deferred tax liabilities:		
Deferred tax liabilities to be recovered after more than 12 months	586,609	172,296
Deferred tax liabilities to be recovered within 12 months	-	-
	586,609	**172,296**
Deferred tax asset / liabilities (net)	**1,755,982**	**414,672**

The gross movement in deferred income tax is as follows:	**31-Dec-16 GH¢**	**31-Dec-15 GH¢**
At 1 January	414,672	**94,238**
Exchange differences		
Statement of profit or loss charges	(1,359,264)	(151,486)
Tax charges / (credit) relating to components of other comprehensive income	-	168,948
Tax charges / (credit) directly to equity		
At 31 December	**1,755,982**	**414,672**

The movement in deferred income tax asset and deferred income tax liabilities without taking into consideration the offsetting of balance within the same tax jurisdiction is as follows:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

Deferred tax liabilities:	Deferred tax liabilities GH¢
At beginning	**175,621**
Charges/ (credits) to profit or loss	(151,486)
Charges/ (credits) to other comprehensive income	148,161
Tax charges/ (credit) directly to equity	
At 31 December 2015	172,296
At beginning	**172,296**
Charges/ (credits) to profit or loss	
Charges/ (credits) to other comprehensive income	414,313
Tax charges/ (credit) directly to equity	
At 31 December 2016	586,609

Deferred tax assets:	**Deferred tax asset GH¢**
At beginning	**269,859**
Charges/ (credits) to profit or loss	317,109
Charges/ (credits) to other comprehensive income	
Tax charges/ (credit) directly to equity	
At 31 December 2015	586,968
At beginning	**586,968**
Charges/ (credits) to profit or loss	1,773,577
Charges/ (credits) to other comprehensive income	(17,954)
Tax charges/ (credit) directly to equity	
At 31 December 2016	2,342,590

12 Cash and Cash Equivalents

	31-Dec-16 GH¢	**31-Dec-15 GH¢**
Cash and bank	670,203	522,719
Placements with banks	21,362,022	21,252,588
Balances with ARB Apex Bank	5,266,877	4,368,460
	27,299,102	26,143,767

For the statement of cash flows, cash and cash equivalents include:

	31-Dec-16 GH¢	**31-Dec-15 GH¢**
Cash and cash equivalent per statement of financial position	27,299,102	26,143,767
	27,299,102	**26,143,767**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

13 Loans and Advances

(Loans and Advances to customers)

	31-Dec-16 GH¢	31-Dec-15 GH¢
Personal loan	135,191	720,890
Overdraft	10,381,060	7,922,740
Staff loans	651,122	756,837
Term loans	2,492,896	1,378,124
Gross Loans and Advances	**13,660,269**	**10,778,591**
Impairment loss allowance (loans and advances to customers)	(9,370,362)	(7,210,815)
Net loans and advances to customers	**4,289,907**	**3,567,776**
Current	135,191	720,890
Non-current	4,154,716	2,846,886
	4,289,907	**3,567,776**

Summarised below is the movement in impairment provision:

Loans and Advances to customers

	Specific impairment provision	General impairment provision	Total
Balance at the beginning	**2,796,811**	**324,974**	**3,121,785**
Increase in impairment allowance/ Reversal of impairment allowance (P&L)	2,019,390	(2,007,536)	**11,854**
Write-off/Reclassified	-	**1,965,330**	**1,965,330**
Movement recognised in Other Comprehensive Income	2,111,846	**-**	**2,111,846**
Balance at 31 December 2015	**6,928,047**	**282,768**	**7,210,815**
Balance at the beginning	6,928,047	282,768	**7,210,815**
Increase in impairment allowance/ Reversal of impairment allowance (P&L)	2,317,591	(2,323,397)	**(5,806)**
Write-off/Reclassified	-	2,093,536	**2,093,536**
Movement recognised in Other Comprehensive Income	71,817	**-**	**71,817**
Balance at 31 December 2016	**9,317,455**	**52,907**	**9,370,362**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

14 Investment Securities

	31-Dec-16	31-Dec-15
	GH¢	GH¢
Investment securities held to maturity: Treasury bills	8,684,874	435,567
Total securities held to maturity	**8,684,874**	**435,567**
Investment securities available for sale: Unquoted equity instruments	232,040	232,040
Total investment securities available for sale	**232,040**	**232,040**
Total Investment Securities	**8,916,914**	**667,607**

The movements in investment securities may be summarized as follows:

	Held to maturity GH¢	Available for sales GH¢	Total GH¢
At the beginning	187,827	225,175	413,002
Additions	247,740	-	247,740
Disposals	-	-	-
Gain/loss from changes in fair value	-	6,865	6,865
Impairment loss	-	-	-
At 31 December 2015	**435,567**	**232,040**	**667,607**
At the beginning	435,567	232,040	667,607
Additions	8,249,307	-	8,249,308
Impairment loss	-	-	-
At 31 December 2016	**8,684,874**	**232,040**	**8,916,915**

15 Other Assets

	31-Dec-16	31-Dec-15
	GH¢	GH¢
Accounts receivable and prepayments	1,169,606	816,302
Store consumables	35,616	16,474
	1,205,222	**832,776**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

16 Property. Plant and Equipment

Cost	Land and Buildings GH¢	Leasehold Improvements GH¢	Furniture and Fittings GH¢	Motor vehicles GH¢	Office Equipment GH¢	Capital work-in progress GH¢	Total GH¢
Balance at 1 January 2015	2,576,150	135,543	756,213	103,515	392,020	-	3,963,441
Additions	-	-	26,840	236,550	55,041	-	318,431
Balance as at 31 December 2015	**2,576,150**	**135,543**	**783,053**	**340,065**	**447,061**	**-**	**4,281,872**
Balance at 1 January 2016	2,576,150	135,543	783,053	340,065	447,061	-	4,281,872
Additions	173,088	-	168,178	125,191	40,197	56,361	563,015
Balance as at 31 December 2016	**2,749,238**	**135,543**	**951,231**	**465,256**	**487,258**	**56,361**	**4,844,887**
Depreciation							
Balance at 1 January 2015	79,572	128,765	238,390	55,700	304,900	-	807,327
Depreciation for the year	79,572	1	123,255	52,816	34,210	-	289,854
Balance as at 31 December 2015	**159,144**	**128,766**	**361,645**	**108,516**	**339,110**	**-**	**1,097,181**
Balance at 1 January 2016	159,144	128,766	361,645	108,516	339,110	-	1,097,181
Depreciation for the year	87,095	(1)	128,048	102,283	52,859	-	370,284
Balance as at 31 December 2016	**246,239**	**128,765**	**489,693**	**210,799**	**391,969**	**-**	**1,467,465**
Net Book Value							
At 31 December 2016	**2,502,999**	**6,777**	**461,539**	**254,457**	**95,290**	**56,361**	**3,377,422**
At 31 December 2015	**2,417,006**	**6,777**	**421,408**	**231,549**	**107,951**	**-**	**3,184,691**
At 31 December 2014	**2,496,578**	**6,778**	**517,823**	**47,815**	**87,120**	**-**	**3,156,114**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

17 Deposits from Customers

	31-Dec-16 GH¢	31-Dec-15 GH¢
Demand	7,627,965	6,147,433
Fixed Deposits	3,940,053	-
Savings	21,761,662	17,942,142
	33,329,680	24,089,575
Current	33,329,680	24,089,575
Non current	-	-
	33,329,680	**24,089,575**

18 Employee Benefit Obligation

	31-Dec-16 GH¢	31-Dec-15 GH¢
Long service award liabilities (a)	71,800	67,693
a. Long Service Award Liabilities	**71,800**	**67,693**

Long service awards accrue to employees based on graduated periods of uninterrupted service. This is the amount of future benefit that employees have earned in return for their service in the current and prior periods. These awards accrue over the service life of employees. Re-measurements made are recognised in profit or loss in the period in which they arise.

	31-Dec-16 GH¢	31-Dec-15 GH¢
At the beginning of the year	67,693	62,113
Provision charge	4,107	5,580
At end of the year	**71,800**	**67,693**

19 Other Liabilities

	31-Dec-16 GH¢	31-Dec-15 GH¢
Account payables	1,491,228	779,252
Accruals	-	229,512
Deferred income	30,225	52,380
	1,521,453	1,061,144
Current	1,521,453	1,061,144
Non current	-	-
	1,521,453	**1,061,144**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

20 Share Capital

	31-Dec-16	31-Dec-15
Authorised:	GH¢	GH¢
Ordinary Shares	1,527,905	1,527,905
Issued and fully paid;		
Ordinary Shares	1,527,905	1,527,905

Movements during the period:	Number of shares	Ordinary shares GH¢	Total GH¢
Balance at the beginning	18,182,413	1,527,905	1,527,905
Capitalised during the period	-	-	-
At 31 December 2015	18,182,413	1,527,905	1,527,905
Balance at the beginning	18,182,413	1,527,905	1,527,905
Issue of new shares	-	-	-
At 31 December 2016	**18,182,413**	**1,527,905**	**1,527,905**

21 Statutory Reserves

	GH¢
Balance athe beginning	1,944,933
Transfer from profit or loss	219,584
At 31 December 2015	**2,164,517**
Balance at the beginning	2,164,517
Transfer from profit or loss	330,119
At 31 December 2016	**2,494,636**

Statutory reserve represents cumulative amounts set aside from annual profit after tax required under the Banking Act. The proportion of net profit transferred to reserves ranges from 12.5% to 50% of net profit after tax, depending on the relationship that the balance on statutory reserves bears to paid up capital.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

22 Other Reserves

	GH¢ Available for sale reserves	GH¢ Credit risk reserve	GH¢ Total
Balance at the beginning	183,771	3,139,003	3,322,774
Fair value gain/loss	6,865	-	6,865
Excess of statutory impairment over IFRS impairment charge	-	(2,111,846)	(2,111,846)
Transfer from profit or loss	-	-	-
Tax on other comprehensive income	-	168,948	168,948
At 31 December 2015	190,636	1,196,105	1,386,741
Balance at the beginning	190,636	1,196,105	1,386,741
Fair value gain/loss	-	-	-
Excess of statutory impairment over IFRS impairment charge	-	71,817	71,817
Transfer from profit or loss	-	-	-
Tax on other comprehensive income	-	(17,954)	(17,954)
At 31 December 2016	**190,636**	**1,249,967**	**1,440,603**

Credit risk reserve represents the cumulative balance of amounts transferred from/to retained earnings to meet gaps in impairment allowances based on Bank of Ghana's provisioning guidelines and IFRS.

23 Retained Earnings

	31-Dec-16 GH¢	31-Dec-15 GH¢
Balance at the beginning	4,220,488	3,393,548
Dividend paid	(610,402)	(710,150)
Transfer to statutory reserves	(330,119)	(219,584)
Profit and loss account	2,640,956	1,756,674
Balance at 31 December	**5,920,923**	**4,220,488**

24 Provisions

	31-Dec-16 GH¢	31-Dec-15 GH¢
La Township Development Fund	186,076	136,076
La Education Fund	112,723	90,211
	298,799	**226,287**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

25 Related Parties

a. Key Management Compensation

Key management personnel include members of the Board of Directors and executive committee. Non Executive Directors are included in the definition of key management personnel as required by IAS 24 Related Party Disclosure.

The definition of key management includes the close members of family of key management personnel and any entity over which key management exercise control, joint control and significant influence. Close members of family are those family members who may be expected to influence, or be influenced by that person in their dealings with the company. They include the person's domestic partner and children, the children of the person's domestic partner, and dependents of the person or the person's domestic partner

	31- Dec -16 GH¢	31 -Dec-15 GH¢
Salaries and short term benefits	505,613	695,253
Post employment benefits	-	-
Other long term employee benefits	-	-
Total	**505,613**	**695,253**

b. Year - end balances arising from Loans/Deposits to Executive Directors and other key management personnel:

	31- Dec -16	31 -Dec-15
Loans	**GH¢**	**GH¢**
Loans outstanding at 1 January	145,818	72,050
Net movement during the year	(33,234)	73,768
Loans outstanding at 31 December	**112,584**	**145,818**

	31- Dec -16	31 -Dec-15
Deposits	**GH¢**	**GH¢**
Deposits at 1 January	695,253	745,339
Net movement during the year	(189,640)	(50,086)
Deposits at 31 December	**505,613**	**695,253**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

Loans to Executive Directors and key management personnel include housing, car and other personal loans which are given under terms that are not more favorable than those given to other staff. No impairment has been recognized in respect of loans granted to Executive Directors and key management personnel as at 31 December 2016. The car loans are secured by the underlying assets. All other loans are unsecured.

No loans were advanced to Non-Executive Directors during the year. There were no balances outstanding on account of loans due from Non-Executive Directors at the year end.

	31-Dec-16 GH ¢	31-Dec-15 GH ¢
Fees and allowances paid to Non-Executive Directors during the year:	**172,200**	**192,325**

26. Standards issued but not yet effective

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

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

The company plans to adopt the new standard on the required effective date."

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

c. IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalizes their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The company plans to adopt the new standard on the required effective date using the full retrospective method.

LA COMMUNITY BANK LIMITED
(INCORPORATED IN GHANA)

PROXY FORM

Annual General Meeting to be held at **10:00 am** on 14th July, 2017 at the Presbyterian Church Hall, Osu, Accra.

I/We (BLOCK CAPITALS)

……………………………………………...…..

Being a member/members of LA COMMUNITY BANK LIMITED hereby appoint

…………………………………………………..

or failing him the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held on Friday 14th July, 2017 **at the Presbyterian Church Hall, Osu, Accra.**

Signature …………………………………........…….

Date this …………....… day of ……......……….2017.

I/We direct that my/our vote(s) be cast on the specified resolutions indicated by "X" appropriate space

Resolution	For	Against
1. To receive the Financial Statements for the Year		
2. To Declare Dividend		
3. To re-elect Mrs. H.K.Lokko as Director		
4. To re-elect Dr. N.K.Sowa as Director.		
5. To re-elect Prof. Irene Odotei as Director.		
6. To appoint new Auditors - KPMG		
7. To authorize the Directors to fix the remuneration of auditors		

THIS PROXY FORM SHOULD NOT BE SENT TO THE SECRETARY IF THE MEMBER WILL BE ATTENDING THE MEETING.

NOTE:

1. A member (shareholder) who is unable to attend the Annual General Meeting is allowed by law to vote by proxy. The above Proxy Form has been prepared to enable you exercise your vote if you cannot personally attend.
2. Provision has been made on the form for the Chairman of the meeting to act as your Proxy but, if you wish you may insert in the blank space "the name of any person whether a Member of the Company or not, who will attend the Meeting and vote on your behalf instead of the Chairman of the Meeting.
3. In the case of joint holders, each holder should sign.
4. If executed by a corporation, the Proxy Form should bear its Common Seal or be signed on its behalf by a Director.
5. Please sign the above Proxy Form and post it so as to reach the address shown overleaf not later than 48 hours before the appointed time of the Meeting.
6. The Proxy must produce the Admission Card sent with the notice of the Meeting to obtain entrance to the Meeting.

Designed & Printed by MHM Consult: 0244 275440