

CHAIRMAN'S REPORT

Fellow shareholders, Invited Guests, Ladies and Gentlemen, it is my pleasure to welcome you to the 30th Annual General Meeting (AGM) of our Bank.

We have made available to you the Bank's Annual Report incorporating the Financial Statements for the year ended 31st December, 2014 and the Auditors' and Directors' Reports thereon.

OPERATING ENVIRONMENT

The economic challenges of the previous year did not abate to any significant extent. The nation however remained peaceful and stable in the region. The country experienced current account deficit and debt levels increased making up 85% of the value of all goods and services produced within the economy.

The major sectors which exercised constraint on growth were manufacturing, electricity production and others. The intermittent disruption in energy supply pushed input costs high and this affected our margins negatively. High Treasury yields competed for liquidity and adversely affected cost of deposits. Deposit mobilization was quite challenging as customers expected Treasury Bills rates as benchmark and key deposit sources dwindled as production suffered and jobs were lost to some of our key depositors.

Looking at the issue from another perspective, inflation rose to 17% from 13.5% while Treasury Bill rates increased from 17% to 25.8%. The Monetary Policy rate was also moved from 16% to 21%.

On the whole, the marked depreciation of the Ghana cedi against the major foreign currencies and its attendant foreign exchange scarcity magnified the challenge in the year 2014.

OPERATING RESULTS

We recorded a profit before Taxation of GH¢330,615 from which taxation of GH¢23,356.00 was deducted giving a Profit after Tax of Gh¢307,259, reflecting an increase of 1977%. Operating income increased to GH¢4,735,281 from GH¢3,925,487 and our operating expenses grew by GH¢661,425 (19.2%).

Share holders' funds increased from GH¢1,414,097 to GH¢1, 833,706 representing an increase of GH¢419,609 or (29%).

Other indicators include the continued improvement of our Net Interest Income from GH¢3,121,172 to GH¢3,691,711an increase of (18.3%). Operating profit was profit before credit loss expense which was GH¢635,935 as against the previous year's figure of GH¢487,566. The difference was GH¢148,369 or 30% increase with a slight improvement in

the credit loans expense from GH¢470,379 to GH¢305,320, a difference of GH¢165,059 or 35% improvement.

We are still far from the ideal situation which is our target. We are therefore determined to improve not only our loan recovery but also the quality of our credit portfolio.

IMPORTANT MOVEMENTS

Movements in some critical areas of our operations during the year under consideration are summarized as follows:

ITEM	YEAR 2013 GH¢	YEAR 2014 GH¢	VARIANCE GH¢	% CHANGE
TOTAL ASSETS	15,666,485	20,195,476	4,528,991	28.9
TIME DEPOSIT	1,064,120	2,100,930	1,036,810	97.4
SAVINGS	8,504,498	8,792,993	288,495	3.4
DEMAND	3,171,952	4,617,610	1,445,658	45.6
OTHER DEPOSITS SUSU	490,428	648,535	158,107	32.2
INVESTMENT(short term)	5,000,000	8,010,000	3,010,000	60.2
LOANS & ADVANCES	7,122,377	6,295,364	827,013	-11.6
SHARE HOLDERS FUND	1,414,097	1,833,706	419,609	29.7

For pragmatic reasons, we increased our cumulative provisions for bad & doubtful debts from GH¢1,471,448 in 2013 to GH¢1,713,873. The increase was GH¢242,428 in 2014 or 16.5%. We have been cautious and threaded carefully in order to maintain a safety valve in place to meet our primary and secondary reserve ratios through out the year. Our gross loans for 2014 was GH¢8,009,237 as against GH¢8,593,825 in 2013.

We decided not to be over enthusiastic about lending to the agriculture and cottage sectors because of the challenges that we are facing which arose out of exposures to these sectors. A different approach to ensure success is in the works. We are however confident that microfinance is the key to our survival and development. We are therefore putting in place strategies that would ensure success when we give it our full attention and make it our focal

point. The loans and Advances granted during 2014 were as follows:

SECTORAL BREAKDOWN OF LOANS AND ADVANCES

SECTOR	YEAR 2013 GH¢	YEAR 2014 GH¢	VARIANCE GH¢	%CHANGE
AGRICULTURE	74,181			
COTTAGE INDUSTRY	54,118			
TRANSPORT	265,086	108,680	156,406	59
TRADING	970,930	856,410	114,520	11.8
OTHERS	6,903,936	6,334,132	569,804	-8.3
STAFF	325,274	710,015	384,741	118
Total	8,593,825	8,009,237		
Less Provision for Bad & Doubtful debts	<u>(1,471,448)</u>	<u>(1,713,833)</u>		
	7,122,377	6,295,364		

The objective has been to ensure full recovery.

SOCIAL RESPONSIBILITY

We have continued to support needy but brilliant students in second cycle institutions as well as assist in programmes for development and progress in communities within our catchment areas. We would continue to meet our social responsibilities.

STAFF

Even though we squeezed our expenses generally, the Bank was a bit flexible with the staff's access to credit because many of them have been improving themselves academically and professionally at their own cost. Their programmes were mostly financed by accessing credit from the Bank. We believe that the process will impact positively on the Bank if they continue to improve themselves. Meanwhile, general training on the job is also on track.

SOLVENCY

The Shareholders funds increased from GH¢1,414,097 in 2013 to GH¢1,833,706 in 2014. We intend to improve this area while we appeal at this time to the existing share holders and the public as a whole to acquire more shares. The price per share remains at 5Gp.

EXPANSION

We have sought assistance in the form of credit from our Supervisor, ARB Apex Bank Limited to enable us give facelift to our Ashaiman Agency and construct new premises for the Tema Agency. ARB Apex Bank limited has approved the facility and the work would start as soon as possible.

DIVIDEND

Our effort to improve upon last year's performance yielded some improvement that has enabled the directors to propose a dividend of GH¢0.004 per share. Appropriate proposal would therefore be subsequently tabled for approval in due course.

FUTURE PROSPECTS

We intend to intensify our recovery efforts. This would release additional liquid funds to us and enhance our future loan prospects.

May I also take this opportunity to draw attention to the directive from Bank of Ghana under The Transitional Arrangements, requesting all licensed Rural / Community Banks to raise their minimum paid up capital to;

i) GH¢ 300,000.00 (Three Hundred Thousand Ghana Cedis by December, 2015)

ii) GH¢ 500,000.00 (Five Hundred Thousand Ghana Cedis by December, 2016)

iii) GH¢1,000,000.00 (One Million Ghana Cedis by December, 2017)

While we are on target with the 2015 requirement, we need to increase our shareholding to the thresholds by 31st December, 2016 and 31st December, 2017.

Existing shareholders, potential ones and the general public are encouraged to acquire more shares of the Bank.

Capital gains and dividend would accrue to them eventually.

The Bank would also be strong and there would be long term working capital that would enhance the Bank's status within the Rural Banking fraternity

CONCLUSION

I wish, on my own behalf and that of the Board of Directors to thank you, our shareholders, customers and other stakeholders for your goodwill and support. My profound gratitude also goes to management and staff for their hard work during the period under consideration. Finally, I remain grateful to our Supervisors, ARB Apex Bank and Bank of Ghana for their continued supervision and guidance.

Thank you

**S.N ODONKOR
CHAIRMAN**

