

DANGME RURAL BANK LIMITED
REPORT AND FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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DANGME RURAL BANK LIMITED
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CORPORATE INFORMATION

| | |
|---------------------------------|--|
| Board of Directors | Nene Affum Kaafra III (Chairman) (Abraham Wilson Tetteh Addo) Hon. Nii Dortey Abotsi III (<i>Retired-Dec 2022</i>) Daniel T. Botchway Ebenezer T. Addico Francis Amanor Tetteh Elizabeth Dede Pardie |
| Secretary | Daniel T. Botchway |
| Registered Office | Hse. No. 09/11 Main Road Adjacent the Main Lorry Station Prampram P.O. Box 39 Prampram - GAR |
| Independent Auditor | R-Alliance Consults Chartered Accountants Dansoman P.O. Box AB 106 Abeka - Accra |
| Principal Bankers | ARB Apex Bank PLC Cal Bank Ghana PLC Ecobank Ghana PLC Fidelity Bank |
| Company TIN | C0005921775 |
| Company Registration No. | CS760272015 |

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FINANCIAL HIGHLIGHTS

| | 2022 | 2021 |
|--------------------------|--------------------------|--------------------|
| | GHC | GHC |
| Interest income | <u>11,454,751</u> | <u>7,981,418</u> |
| Profit/(loss) before tax | <u>2,408,616</u> | <u>(2,147,246)</u> |
| Profit/(loss) after tax | <u>2,344,404</u> | <u>(2,352,667)</u> |
| Total assets | <u>68,304,331</u> | <u>49,804,490</u> |

RELEVANT FINANCIAL RATIOS

| RATIOS | REGULATORY REQUIREMENT | 2022 | 2021 | 2020 |
|---|-------------------------------|-------------|-------------|-------------|
| Cost/income | MAX 70% | 85% | 95% | 73% |
| Advances/deposit | MAX 50% | 53% | 32% | 37% |
| Return on equity (Net Income/Shareholders Equity) | MIN 5 times | 0.7 | -2 | -0.04 |
| Loan loss provision/total advances | MAX 10% | 10% | 22% | 15% |
| Earning assets/ total assets | MIN 70% | 75% | 78% | 74% |
| Liquid assets/total assets | MIN 40% | 55% | 65% | 58% |
| PPE/ Equity ratio | MAX 25% | 101% | 319% | 97% |
| Capital Adequacy Ratio | MIN 5% | 7% | -5% | 2% |
| Primary reserves | MIN 6% | 12% | 5% | 5% |

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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements of the company for the year ended 31 December 2022.

Statement of directors' responsibilities

The Companies Act, 2019 (Act 992) requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and the statement of income and expenditure, statement of changes in equity and statement of cash flows of the company for the year. The Directors considered that in preparing the financial statements, they have used appropriate accounting policies, supported by reasonable and prudent judgments and estimates that are in line with International Financial Reporting Standards and complied with Companies Act, 2019 (Act 992).

The Directors are responsible for ensuring that the company keeps accounting records, which disclose reasonable accuracy of the financial position of the company. They are also responsible for taking such steps, which are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for ensuring that the company complies with the laws and regulations applicable to its activities and for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any non-compliance that may occur.

Nature of business

The company is authorized to carry on the business of rural and community banking in Ghana.

Financial results

The financial results of the company are set out below:

| | 2022 GH¢ | 2021 GH¢ |
|---|---------------------------|---------------------------|
| Profit/(Loss) for the year ended 31 December is | <u>2,408,616</u> | <u>(2,147,246)</u> |
| From which is (deducted)/added tax of | <u>(64,212)</u> | <u>(205,421)</u> |
| Giving a profit/ (loss) after tax for the year of | <u>2,344,404</u> | <u>(2,352,667)</u> |
| Retained earnings as at 31 December | <u>(2,129,070)</u> | <u>(3,368,364)</u> |
| Transfer to statutory reserve | <u>1,172,202</u> | <u>588,661</u> |

In accordance with Section 34(1) (b) of the Banks and Specialised Deposit- Taking Institutions Act, 2016 (Act 930) an amount of GH¢ 1,172,202 was transferred to the statutory reserve fund from profit for the year, leaving the cumulative balance on the statutory reserve fund at GH¢ 1,760,863 at the year end.

Authorized and issued share capital

During the current financial year 91,450 shares were issued and paid for.

Dividends

The Directors do not propose dividends to shareholders this year.

Related companies

Dangme Rural Bank Limited has no related companies to disclose.

Directors' capacity building

The Directors of Dangme Rural Bank Limited have some relevant experience in banking, finance and fund management. As part of discharging their duties, the Directors had training on Corporate Governance, the Labour Act, 2003 (Act 651), Credit and Risk Management, Interpretation of Financial Statements and Cashflow Analysis. The Bank ensures that only fit and proper persons are appointed to the board after obtaining the necessary approval from the regulator, Bank of Ghana.

Changes in Directors

The names of the directors who served during the year are provided on page 1. One Director, Hon. Nii Dortei Abotsi III (Vice Chairman) retired and was replaced by Patience Odonkor, who was elected at the last AGM in December 2022. She is yet to be approved by BOG. No director had any interest at any time during the year, in any contract of significance, other than a service contract with the Bank. All directors have shares in the Bank.

Corporate social responsibility

The Bank undertook corporate social responsibility activities during the year under review including a donation of an air conditioner worth GH¢ 2,450 for Ashaiman drivers co-operative. The Bank also provided support towards the funeral of the late Tema Mantse -Nii Adjei Kraku I with GH¢ 5,000. An amount of GH¢ 6,816 was donated to the traditional council. Finally, GH¢ 1,050 was used in sponsoring the Ghana National Association of Garment Makers.

Auditors

The auditor, R-Alliance Consults, have indicated their willingness, to continue in office pursuant to Section 139 (5) of the Companies Act, 2019 (Act 992).

Audit Fees

The amount payable by way of audit fees is GH¢ 63,663 inclusive of the applicable VAT/NHIL/COVID Levy and GETFL.

Going Concern

The Board confirms that it is satisfied that the Company has adequate resources to continue in business for the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing the financial statements.

Related Party Transactions

Information regarding key management and directors' interests in the Bank are disclosed in the notes to the financial statements.

Certification of compliance with Risk Management Guidelines for RCBs 2021

In compliance with the Risk Management Guidelines for RCBs 2021, the Board of Directors of Dangme Rural Bank Limited hereby declares that to the best of its knowledge and having made appropriate enquires in all material respects: -

- i. The Bank has put in place systems for ensuring compliance with all prudential requirements.

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- ii. The system and resources that are in place for identifying, measuring, evaluating, controlling, mitigating, and reporting material risk, and the Risk Management Framework itself are appropriate to the Bank and are commensurate with the size, business mix and complexity of the Bank.
- iii. The Risk and internal control systems in place are operating effectively and are adequate.
- iv. The Bank has a Risk Management Strategy that complies with the Bank of Ghana Risk Management Directive 2021, and the Bank has complied with the requirements describe in its Risk Management Strategy, and
- v. The Bank is satisfied with the effectiveness of its processes and management information systems.


Acknowledgement

The Board of Directors hereby expresses its sincere appreciation for the support, loyalty and dedicated service of the staff, Management, and all stakeholders of the Company over the past year.

Finally, our sincere thanks to our cherished customers for the steadfast loyalty and confidence in our Bank and our business.

By order of the Board

Director: 
Nene Affum Kaafra III

Director: 
Ebenezer T. Addico

Date: 27th APRIL 2023

CORPORATE GOVERNANCE REPORT

Introduction

Dangme Rural Bank Limited recognizes the importance of good corporate governance as a means of sustained long-term viability of the business and therefore always seeks to align the attainment of the business objectives with good corporate behavior in line with our corporate vision, values and business principles. Dangme Rural Bank Limited's vision is to provide its customers with the best financial products. The business adopts prudent standard accounting practices and ensures sound internal controls to facilitate transparency in the disclosure of information and to give assurance to the reliability of the financial statements.

Corporate Governance Directives for Rural and Community Banks 2021

The Board certifies that the Bank is generally compliant with the Corporate Governance Directive for Rural and Community Banks (CGD for RCBs), 2021 issued by the Bank of Ghana which came into effective in May, 2021. The Corporate Governance processes of the Bank are effective and meet its purposes.

In accordance with Section 45 and 46 of the Corporate Governance Directive for RCBs, the independent external evaluation of the Board for the year is ongoing. The scope of the engagement includes roles and responsibilities of the board, competencies of the members, structure and composition of the board and its sub-committees, processes and relationships, and other key governance issues.

Systems of internal control, risk management and compliance

Dangme Rural Bank Limited is continuously enhancing its comprehensive risk and control review. This is aimed at both improving the mechanism for identifying and monitoring risk as well as appraising the systems of internal control. The company has effective systems for identifying, managing and monitoring risks. The system of internal controls is implemented and monitored by appropriately trained personnel, suitably segregated as to authority, duties and reporting lines.

The company reviews the business' risk, management practices, compliance with policies, applicable laws and regulations, and assesses the adequacy of systems of internal controls. There are periodic staff and management meetings, layers of reviews and approvals for transactions with top management's involvement.

Code of business ethics

Dangme Rural Bank Limited continues to reinforce communication on a regular basis together with the development and application of complementary procedures so as to eliminate the potential for corrupt and illegal practices on the part of shareholders, directors, employees and contractors.

Board of Directors

The responsibility of good corporate governance is in the hands of the Board of Directors and the Management Team. The Board is accountable for the long-term success of the bank and it is responsible for ensuring leadership, approving strategy, and ensuring that the Bank is suitably resourced to achieve its strategic aspirations. In doing so, the Board considers its responsibilities to, and the impact of its decisions on its stakeholders including shareholders, employees, customers, suppliers, the environment, and the community the bank operates in. The Board comprises non-executive directors who provide strong oversight of management and the business operations. The Board remains very diverse with a distinctive mixture of backgrounds, experience and skills. Risk and governance, shareholder and stakeholder relationships, strategy and budget, financial performance oversight and people were some of the key activities the Board focused its time on during the year. The board met six (6) times in the year.

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The Board has four sub- committees with specific delegated authorities. These are the Board Audit, Risk and Compliance Committee, Finance and Advances Committee, the Human Resource and IT Committee and the Credit Committee. The respective Chairpersons present their reports to the Board at each scheduled meeting.

Board Audit, Risk and Compliance Committee

| NAMES | POSITION |
|------------------------|--|
| Nii Dortey Abotsi III | Chairman (<i>Retired in December 2022</i>) |
| Mr. Ebenezer T. Addico | Member |
| Mr. Daniel T. Botchway | Member |
| Mr. Francis A. Tetteh | Member |

The Audit, Risk and Compliance committee is made up of non-executive directors and performs the following functions among others:

Internal Control functions:

- The Committee is responsible for advising the Board on Bank’s operations including the following:
 - Effectiveness of operational arrangements and internal control systems.
 - Proper management of the bank’s resources.
 - Outstanding litigations and contingent liabilities.
 - Overdue and non-performing loans
 - Related party exposures and their classification.
- Review on behalf of the Board, the Bank’s system of internal control (including financial, operational, compliance and risk management) and make recommendations to the Board.
- Monitor and review the effectiveness of the internal audit function and ensure that it is adequately resourced and has appropriate standing within the Bank.
- Review and recommend to the Board, the approval of internal audit programme as well as Internal Audit’s Annual Audit Plan.
- Review and recommend to the Board, the Internal Audit Charter in compliance with International Standards for the Professional Practice of Internal Audit for approval.
- Receive and review Internal Audit Reports to establish:
- The extent to which existing policies are adequate and effective.
- The extent to which Board decisions and instructions regarding the management of the Bank are being implemented.
- The extent to which the Bank’s operating and financial and accounting policies and practices are being complied with.
- The adequacy, accuracy and reliability of management information, financial and operational reports from Key Management staff.
- The extent of implementation of recommendations by external auditors/examiners or inspectors (ARB Apex Bank PLC / Bank of Ghana / Any related Organizations by Management.
- Consider the material findings of internal investigations and management’s response.
- Review arrangements by which employees of the Bank may, in confidence, raise concerns about possible improprieties and for appropriate investigation of such matters.
- Consider other topics as defined by the Board.
- Report on all of the above matters to the Board and recommend for ratification by the Board all issues approved by the Committee on behalf of the Board.

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Board Finance Committee

| NAMES | POSITION |
|---------------------------|--|
| Mr. Daniel T. Botchway | Chairman |
| Nii Dortey Abotsi III | Member (<i>Retired in December 2022</i>) |
| Mr. Francis A. Tetteh | Member |
| Madam Elizabeth D. Pardie | Member |

Scope relating to Finance

- The Committee is responsible for advising the Board on:
 - Financial statements and performance review against the approved budget, business plan, peers and industry data.
 - The extent to which the bank is exposed to various risks such as credit, liquidity, operational and other risks.
 - Compliance with minimum capital requirements.
 - A review of capital adequacy ratio.
 - Review the financial standing of the Bank and on the most appropriate action to take.
 - Scrutinize the Bank's financial reports and statements, its capital base and the volume of business it can assume.
 - The Bank of Ghana's reserve requirements and their implications.
 - Compensation packages for staff and their impact on the finances of the Bank.
 - Total assets and their key components such as advances, investments, balances with banks and in vaults/tills etc.
 - Performing Assets (assets that directly generate revenue) vis-à-vis Non-Performing Assets (assets that do not generate revenue) and the relationship of each category to total assets.
- Deal with all matters referred to it by the Board on the terms, if any, set by the Board.
- In the case of emergency or when it is impracticable to convene a Board meeting or to obtain a written resolution of the Board in accordance with the Bank's Articles of Association from time to time, where the interests of the Bank would be prejudiced by delay, the Committee shall take steps to contact all directors and, having done so, and taken account of the views of those it has been possible to contact, shall have power to act as it then sees fit on behalf of the Board. The committee shall report any such actions and the reasons for taking them, to the Board as soon as practicable.
- Bring on Board, potential investment area to enhance profitability.

Board Human Resource and IT Committee

| NAMES | POSITIONS |
|------------------------|------------------|
| Mr. Ebenezer T. Addico | Chairman |
| Mr. Daniel T. Botchway | Member |
| Mr. Francis A. Tetteh | Member |

The Board Human Resource and IT Committee is mandated to:

The duties of the Committee are:

- To make recommendations to the Board on the Bank's framework of the staff remuneration and its cost; determine on behalf of the board specific remuneration packages and conditions of employment for all categories of staff.
- The Committee is also expected to satisfy itself that human resource management activities are adequate and effective. In this regard, the specific responsibilities that the committee will carry out on behalf of the Board are as follows:
 - Review, monitor and make recommendations to the Board of Directors on the Bank's human resources strategy and policies. These include staffing, compensation, benefits and related issues of strategic importance.
 - Consider with other Board Committees and Management the repercussions of recommendations of other Board Committees on human resource management.
 - The Committee will make Human Resource recommendations to the Board for consideration and approval.
 - Consider shortlisted applicants for employment.
 - Determine the terms of any compensation package in the event of early termination of service of any staff.
 - Consider all disciplinary issues involving staff.
 - Any other matters that may be referred to the Committee.
- Oversee IT risk and cyber security.

Board Credit Committee

| NAMES | POSITION |
|---------------------------|--|
| Nii Dortey Abotsi III | Chairman (<i>Retired in December 2022</i>) |
| Mr. Ebenezer T. Addico | Member |
| Mr. Francis A. Tetteh | Member |
| Madam Elizabeth D. Pardie | Member |

The Board Credit and Advance Committee is mandated to:

- Advise the Board in relation to the Bank’s credit exposure and management, lending practices and provide strategic guidance for the development and achievement of the Bank’s credit and lending objectives;
- Considering and approving specific loans above the Management’s authority limit, as determined by the Board from time to time;
- Oversee the effectiveness and administration of credit related policies including compliance with legal lending limits and restrictions
- Approve credit risk appetite and credit portfolio strategy and ensure it is in line with the Bank’s corporate strategy;
- Review and approve the establishment of or any material changes to: credit policies and credit concentration guidelines and limits; underwriting guidelines; provisions for loan losses methodology; and other matters as required by regulations;
- Approve credit facility requests and proposals within limits defined by the Bank’s credit policy and within the statutory requirements set by the regulatory authorities;
- Make recommendations to the Board on suggested changes to credit policy and strategy where appropriate.

- Scope relating to Advances
- The Committee is responsible for advising the Board on:
 - The risky assets quality.
 - Exposure concentration,
 - Credit/deposit ratio and non-performing Loans and Advances ratio.
 - Provisions for delinquent loans and overdraft.
 - Credit recovery reports.
 - Review of reports on credit facilities and non-performing loans.
- Related party transactions and credit concentrations.
 - Any other relevant issues relating to credit facilities.
- To consider and approve loans and overdrafts facilities remitted to it by Management Credit Committee on the terms, if any set by the Board.
- To consider and refer credits facilities which are above its discretionary limit to the Board for consideration and approval after due diligence has been done on them.
- Advise the Board on matters relating to Advances Classification and provision for impairment losses on Advances.
- Review and monitor all advances.

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- Enact and review effective and possible measures to recover non-performing credits.
- Refer to the Board for ratification the approved and disbursed Management discretionary facilities.
- Regular review of credit policies to enhance credit administration.

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Profile of Directors

| Directors | Qualification | Position | Role in other institutions |
|---------------------------|--|----------------------------|-----------------------------------|
| Nene Affum Kaafra III | Advanced Professional Course in Corporate Governance, Diploma. Certificate in Economics Diploma in Accounting Certificate "A" 4 years –GES RSA Stage II | Chairman | No Role |
| Mr. Ebenezer T. Addico | City & Guilds of London Institute Diploma (Labour Studies) City & Guilds of London Institute | Member | No Role |
| Mr. Francis A. Tetteh | Teachers Certificate 'A' (4- Year) GCE 'O' level | Member | No Role |
| Mr. Daniel T. Botchway | Master of Philosophy in Human Rights Bachelor of Arts Degree (B.A Hons) Music/Philosophy Diploma in Sales Management & Marketing Diploma in Personal Management and Industrial Relations | Member/ Board Secretary | No Role |
| Madam Elizabeth D. Pardie | Master of Commerce in Taxation Bachelor of Commerce, HND ACCT | Member | No Role |

Schedule of Attendance of Board Meetings (2022)

| Members | Board of Directors | | | |
|---------------------------|---------------------------|-----------------------|----------------------------------|--------------------------|
| | Role | Date appointed | Number of Meetings (2022) | Attendance (2022) |
| Nene Affum Kaafra III | Chairman | October 2003 | 6 | 6 |
| Mr. Ebenezer T. Addico | Member | June 2017 | 6 | 6 |
| Mr. Francis A. Tetteh | Member | November 2019 | 6 | 6 |
| Mr. Daniel T. Botchway | Member | October 2015 | 6 | 4 |
| Madam Elizabeth D. Pardie | Member | September 2018 | 6 | 4 |

| Members | Board Finance Committee (2022) | | | |
|---------------------------|---------------------------------------|-----------------------|---------------------------|-------------------|
| | Role | Date Appointed | Number of Meetings | Attendance |
| Mr. Daniel T. Botchway | Chairman | January 2022 | 7 | 5 |
| Mr. Francis A. Tetteh | Member | August 2022 | 7 | 1 |
| Madam Elizabeth D. Pardie | Member | January 2022 | 7 | 3 |
| Nii Dortey Abotsi III | Member | January 2022 | 7 | 7 |

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| Members | Board Audit, Risk and Compliance Committee (2022) | | | |
|------------------------|---|----------------|--------------------|------------|
| | Role | Date Appointed | Number of Meetings | Attendance |
| Nii Dortey Abotsi III | Chairman | January 2022 | 3 | 3 |
| Mr. Ebenezer T. Addico | Member | January 2022 | 3 | 3 |
| Mr. Daniel T. Botchway | Member | January 2022 | 3 | 2 |
| Mr. Francis A. Tetteh | Member | October 2022 | 3 | 1 |

| Members | Board Human Resource & IT Committee (2022) | | | |
|------------------------|--|----------------|--------------------|------------|
| | Role | Date Appointed | Number of Meetings | Attendance |
| Mr. Ebenezer T. Addico | Chairman | February 2022 | 1 | 1 |
| Mr. Daniel T. Botchway | Member | February 2022 | 1 | 1 |
| Mr. Francis A. Tetteh | Member | February 2022 | 1 | 1 |

| Members | Board Credit Committee (2022) | | | |
|---------------------------|-------------------------------|----------------|--------------------|------------|
| | Role | Date Appointed | Number of Meetings | Attendance |
| Nii Dortey Abotsi III | Chairman | February 2022 | 6 | 6 |
| Mr. Ebenezer T. Addico | Member | February 2022 | 6 | 5 |
| Mr. Francis A. Tetteh | Member | April 2022 | 6 | 3 |
| Madam Elizabeth D. Pardie | Member | October 2022 | 6 | 1 |

| NAME | TRAINING ATTENDED | CERTIFICATE RECEIVED | ORGANIZED BY |
|---------------------------|------------------------------------|------------------------------|-------------------|
| Nene Affum Kaafr III | Corporate Governance | Certificate of participation | ARB Apex Bank PLC |
| Mr. Ebenezer T. Addico | | | |
| Mr. Francis A. Tetteh | | | |
| Mr. Daniel T. Botchway | Corporate Governance Certification | | ARB Apex Bank PLC |
| Madam Elizabeth D. Pardie | Anti-Money Laundering | | Theophilus Dadzie |

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| PROFILE OF KEY MANAGEMENT STAFF | | | | |
|--|------------------------|---|-------------------------------|-------------------|
| NAME | ROLE/ POSITION | DATE APPOINTED AS MANAGEMENT STAFF | QUALIFICATION | EXPERIENCE |
| Eric Anim-Addo | CEO | February 2022 | MBA- Finance, LLB | 20 years |
| David Narh Kodjoe | Deputy CEO | March 2011 | MBA Financial Management | 12 years |
| Vicentia Asare | Head of Administration | June 2014 | BSc Human Resource Management | 9 years |
| Samuel T. Adjorlolo | Head of Operations | May 2013 | MBA Finance | 10 years |
| Godwin Tey | Head of ICT | May 2013 | BSc Information Technology | 10 years |
| Devine Kudjonu | Head of Credit | May 2014 | MBA Finance | 9 years |
| Isaiah Narteh | Compliance and Risk | July 2020 | Bachelor of Commerce | 3 years |
| Isaac Adjetey Sowah | Head of Finance | May 2018 | MBA Accounting & Finance | 5 years |
| Justine Barkey Ossom | Internal Auditor | April 2019 | BSc Banking and Finance | 4 years |

Independent Non-Executive Directors

All directors are non-executive directors and are independent and free of any business relationship or other circumstances that could materially interfere with the exercise of objective or independent judgment. In determining their independence, the Board has considered the criteria set out in the Corporate Governance Directive for RCBs, 2021 (“the Directive”) and the contribution and conduct of directors at Board meetings, including how they demonstrate independent judgement. Directors are required to declare, on an ongoing basis, any interests that may give rise to a potential or perceived conflict of interest. The Board is made aware of the other commitments of the individual directors and is satisfied that largely, these do not conflict with their duties and time commitments as directors of the Company. Directors are appointed for an initial term of three years with an option for renewal for a further two terms.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DANGME RURAL BANK LIMITED**

Opinion

We have audited the financial statements of Dangme Rural Bank Limited, which comprise the statement of financial position as at 31 December 2022, statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Dangme Rural Bank Limited as at 31 December 2022, its financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Companies Act 2019 (Act 992) and Specialised Deposit-Taking Institutions Act 2016 (Act 930).

Basis for Opinion

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

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. They are matters to be addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters. The key audit matters below were noted:

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p>Impairment of Loans and Advances</p> | |
| <p>The measurement of impairment provision is deemed a Key Audit Matter as the amount has a significant impact on the financial performance of the company.</p> | |
| <p>Loan balance at the end of the year was GH¢ 27,973,718 (2021: GH¢15,174,142) with total impairment provision of GH¢ 2,569,090 (2021: GH¢2,810,799).</p> <p>The basis of the impairment amount is summarised in the accounting policies in the consolidated financial statements.</p> <p>The Directors exercise significant judgement when determining both when and how much to record as loan impairment. This is because a number of significant assumptions and inputs go into the determination of expected credit loss impairment amounts on loans and advances.</p> <p>The bank has implemented IFRS 9, Financial Instruments. This standard requires the bank to recognize Expected Credit Losses ('ECL') on financial instruments, which involves exercise of significant judgement and estimates. The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the bank's implementation of IFRS 9 include:</p> <ol style="list-style-type: none"> i. Identification and measurement of economic scenarios to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. ii. Assessment and measurement of Significant Increase in Credit Risk ('SICR') using different criteria. iii. Modelling for estimation of ECL parameters <ul style="list-style-type: none"> ▪ probabilities of default (PD) - 12-month and lifetime, ▪ loss given default (LGD), ▪ exposure at default (EAD). iv. Completeness and accuracy of data used to calculate the ECL | <p>We focused our testing of the impairment on loans and advances on the key assumptions and inputs made by Management and Directors. Specifically, our audit procedures included:</p> <ul style="list-style-type: none"> ● Obtaining an understanding of the loan loss impairment calculation process within the bank; ● Testing the design and determining implementation of key controls across the processes relevant to the Expected Credit Loss ('ECL') (allocation of assets into stages, model governance, data accuracy and completeness, credit monitoring, multiple economic scenarios, post model adjustments, individual impairment and processing of journal entries and disclosures); ● Assessing the ECL impairment levels by stage to determine if they were reasonable considering the bank's portfolio, risk profile, credit risk management practices and the macroeconomic environment. ● Challenging the criteria used to allocate asset to stage 1, 2 or 3 in accordance with IFRS 9; ● Testing the assumptions, inputs and formulae used in a sample of ECL models ● Testing the data used in the ECL calculation by reconciling to source systems; ● Assessing the adequacy and appropriateness of disclosures for compliance with the accounting standards. <p>Based on our review, we found that the bank's impairment methodology, including the model, assumptions and key inputs used by Management and Directors to estimate the amount of loan impairment losses were appropriate in the circumstances.</p> |

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and the Directors' report, as required by the Companies Act 2019 (Act 992) but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles and for such internal control as management determines 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 Board of Directors is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 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 judgment and maintain professional skepticism throughout the audit. We also:

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

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

- 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation, obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicated with the Board of Directors, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified from our audit.

Report on other legal requirements

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

- 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;
- Proper books of account have been kept by the company, so far as appears from our examination of those books; and
- The company's statement of financial position and income statement are in agreement with the books of account.



DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Year ended 31 December 2022 | Year ended 31 December 2021 |
|--|-------|-----------------------------------|-----------------------------------|
| | Notes | GH¢ | GH¢ |
| Interest income | 3 | 11,454,751 | 7,981,418 |
| Interest expense | 4 | <u>(1,856,496)</u> | <u>(1,304,883)</u> |
| Net interest income | | 9,598,255 | 6,676,535 |
| Fees and commissions | 5 | 2,153,102 | 1,406,537 |
| Other income | 6 | <u>512,445</u> | <u>291,017</u> |
| Net interest and other income | | <u>12,263,802</u> | <u>8,374,089</u> |
| Loan Loss provision | 8 | 241,708 | (381,609) |
| Other expenses | 9 | (4,620,561) | (5,826,740) |
| Personnel expenses | 10 | (5,195,447) | (4,038,464) |
| Depreciation and amortization | 12 | <u>(280,886)</u> | <u>(274,522)</u> |
| Total operating expenses | | <u>(9,855,186)</u> | <u>(10,521,335)</u> |
| Profit/ (loss) before tax | | 2,408,616 | (2,147,246) |
| Income tax | 11 | <u>(64,212)</u> | <u>(205,421)</u> |
| Profit/ (loss) after tax | | <u>2,344,404</u> | <u>(2,352,667)</u> |
| Other comprehensive income | | - | - |
| Total comprehensive income/ (loss) for the year | | <u>2,344,404</u> | <u>(2,352,667)</u> |

The notes form an integral part of these financial statements.

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CHANGES IN EQUITY

| | Stated Capital | Statutory Reserves | Capital Surplus | Rural Devt. Fund | Building Fund | Deposit for Shares | Credit Risk Reserve | Retained Earnings | Total |
|-------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|-----------------------|--------------------|---------------------|---------------------------|-------------------------|
| 2022 | GHC | GHC | GHC | GHC | GHC | GHC | GHC | GHC | GHC |
| Bal. at start | 1,695,369 | 588,661 | 1,596,602 | 215,500 | 245,000 | - | 67,270 | (3,368,364) | 1,040,038 |
| Addition | 45,725 | - | - | - | - | - | - | - | 45,725 |
| Transfer to statutory reserve | - | 1,172,202 | - | - | - | - | - | (1,172,202) | - |
| Transfer | - | - | - | - | - | - | (67,092) | 67,092 | - |
| Profit/ (loss) for the year | - | - | - | - | - | - | - | 2,344,404 | 2,344,404 |
| Bal as at end | <u>1,741,094</u> | <u>1,760,863</u> | <u>1,596,602</u> | <u>215,500</u> | <u>245,000</u> | <u>-</u> | <u>178</u> | <u>(2,129,070)</u> | <u>3,430,167</u> |
| 2021 | | | | | | | | | |
| Bal. at start | 1,666,174 | 588,661 | 1,596,602 | 215,500 | 245,000 | - | 241,516 | (1,189,943) | 3,363,510 |
| Addition | 400 | - | - | - | - | 28,795 | - | - | 29,195 |
| Transfer | 28,795 | - | - | - | - | (28,795) | (174,246) | 174,246 | - |
| Profit/ (loss) for the year | - | - | - | - | - | - | - | (2,352,667) | (2,352,667) |
| Bal as at end | <u>1,695,369</u> | <u>588,661</u> | <u>1,596,602</u> | <u>215,500</u> | <u>245,000</u> | <u>-</u> | <u>67,270</u> | <u>(3,368,364)</u> | <u>1,040,038</u> |

The notes form an integral part of these financial statements.

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022


STATEMENT OF FINANCIAL POSITION

| | Notes | Year ended 31 December 2022 | Year ended 31 December 2021 |
|-------------------------------------|-------|-----------------------------------|-----------------------------------|
| Assets | | GH¢ | GH¢ |
| Cash and cash equivalent | 13 | 11,475,514 | 5,907,440 |
| Investments | 14 | 25,749,790 | 26,242,360 |
| Loans and advances to customers | 17 | 25,404,628 | 12,363,343 |
| Investment in securities | | 66,004 | 66,004 |
| Current taxation | 11 | - | 19,517 |
| Other assets | 15 | 2,136,746 | 1,892,821 |
| Deferred tax assets | | 15,392 | - |
| Property, plant and equipment | 12 | 3,339,017 | 3,278,085 |
| Right-of-use asset | 12b | 117,240 | 34,920 |
| Total assets | | 68,304,331 | 49,804,490 |
| | | | |
| Liabilities | | | |
| Deposits from customers | 18 | 47,914,819 | 39,154,131 |
| Fixed deposit | 18 | 10,110,599 | 8,086,488 |
| Other liabilities | 16 | 1,951,563 | 1,352,500 |
| Dividend payable | | 148,519 | 148,519 |
| Taxation | 11 | 32,901 | - |
| Deferred tax liability | 11 | - | 22,814 |
| Long term borrowing | 19 | 4,715,763 | - |
| Total liabilities | | 64,874,164 | 48,764,452 |
| | | | |
| Equity | | | |
| Stated capital | 20 | 1,741,094 | 1,695,369 |
| Retained earnings | | (2,129,070) | (3,368,364) |
| Statutory reserves | | 1,760,863 | 588,661 |
| Capital surplus | | 1,596,602 | 1,596,602 |
| Rural development fund | | 215,500 | 215,500 |
| Building fund | | 245,000 | 245,000 |
| Credit risk reserve | | 178 | 67,270 |
| Total equity | | 3,430,167 | 1,040,038 |
| | | | |
| Total equity and liabilities | | 68,304,331 | 49,804,490 |

The notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 27th APRIL 2023 and signed on its behalf by:

Director: 
Nene Affum Kaafra III

Director: 
Ebenezer T. Addico

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CASH FLOW

| | Notes | Year ended 31 December 2022 GH¢ | Year ended 31 December 2021 GH¢ |
|--|-------|---------------------------------------|---------------------------------------|
| Operating activities | | | |
| Profit/ (loss) before tax | | 2,408,616 | (2,147,246) |
| Depreciation and amortization | 12 | 280,886 | <u>274,522</u> |
| Cash used in operating activities | | 2,689,502 | <u>(1,872,724)</u> |
| Changes in operating assets and liabilities | | | |
| Changes in loans and advances | | (13,041,285) | 424,747 |
| Changes in other assets | | (243,925) | 1,724,781 |
| Changes in deposits accounts | | 8,760,688 | 4,928,061 |
| Changes in fixed deposits | | 2,024,111 | 752,375 |
| Changes in other liabilities | | 599,063 | <u>(722,350)</u> |
| | | (1,901,348) | 7,107,614 |
| Corporate tax paid | 11 | (50,000) | <u>(178,292)</u> |
| Net cash from operating activities | | (1,951,348) | <u>6,929,322</u> |
| Investing activities | | | |
| Purchase of property, plant, and equipment | 12 | (424,138) | (404,655) |
| (Purchase)/ redemption of Investment | | 492,570 | <u>(4,055,537)</u> |
| Net cash used in investing activities | | 68,432 | <u>(4,460,192)</u> |
| Financing activities | | | |
| Borrowings | | 4,715,763 | (83,199) |
| Issue of shares | | 45,725 | <u>29,195</u> |
| Net cash from/ (used in) financing activities | | 4,761,488 | <u>(54,004)</u> |
| Net change in cash and cash equivalent | | 5,568,074 | <u>542,402</u> |
| Movement in cash and cash equivalent | | | |
| At start of year | | 5,907,440 | 5,365,038 |
| Net cash changes during the year | | 5,568,074 | <u>542,402</u> |
| At end of year | | 11,475,514 | <u>5,907,440</u> |

The notes form an integral part of these financial statements.

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

VALUE ADDED STATEMENT

| | 2022 | 2021 |
|--|---------------------------|--------------------|
| | GHC | GHC |
| Interest earned and other operating income | 13,607,853 | 9,387,955 |
| Direct cost of service and other costs | <u>(6,373,819)</u> | <u>(6,743,358)</u> |
| Value added by banking services | 7,234,034 | 2,644,597 |
| Non-banking income | 512,445 | 291,017 |
| Impairments of loans and advances | <u>241,708</u> | <u>(381,609)</u> |
| Value added | 7,988,187 | 2,554,005 |
| Distributed as follows: | | |
| To employees: | | |
| Directors (excluding Executives) | 103,238 | 388,265 |
| Other employees | 5,195,447 | 4,038,464 |
| To Government: | | |
| Income tax expense/Asset | 64,212 | 205,421 |
| To providers of capital: | - | - |
| Dividend to shareholders | - | - |
| To expansion and growth | | |
| Depreciation and amortization | <u>280,886</u> | <u>274,522</u> |
| Retained earnings | <u>2,344,404</u> | <u>(2,352,667)</u> |

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Dangme Rural Bank Limited is a company incorporated under the Companies Act 2019, (Act 992) and domiciled in Ghana. The company is authorized to carry on the business of rural and community banking in Ghana.

2. Summary of significant 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:

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared on the historical cost basis except for financial assets and financial liabilities measured at fair value through other comprehensive income and fair value through profit and loss and investment properties measured at fair value.

The management of the Bank considers the following to be the most important accounting policies for the Company. In applying these accounting policies, management makes certain judgments and estimates that affect the reported amounts of assets and liabilities at the year-end date and the reported revenues and expenses during the financial year. The financial statements have been prepared in accordance with the company's accounting policies described below. The financial statements are presented in Ghana cedis.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation and amortization are provided on a straight-line basis on all property, plant and equipment over the estimated useful lives.

| | |
|-------------------------------------|----------|
| Freehold land and building: | 5% |
| Leasehold land and building: | 5% |
| Furniture, fixtures, and equipment: | 20% |
| Motor vehicle: | 33.3% |
| Computer and accessories: | 25% |
| Software | 10 years |

(c) Cash and cash equivalent

Cash and cash equivalent includes cash in hand, deposits held with banks, deposits held at call with banks, other short term highly liquid investments. Bank overdrafts are shown separately under current liabilities on the statement of financial position.

(d) Other liabilities

Other liabilities are initially recognized at fair value and subsequently measured at amortized cost.

(e) Income tax

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those enacted or substantially enacted by the statement of financial position date.

Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments, it's recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in Other Comprehensive Income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change.

(f) Leases

The Company applies IFRS 16 where leases are recognized as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Company. The right-of-use asset is presented separately in the statement of financial position, except for right-of-use assets that meet the definition of investment property, which is presented in the statement of financial position in separate line items – “investment property”.

IFRS 16 allows two methods of initial application: (1) full retrospective application with the restatement of comparatives and (2) modified retrospective approach without the restatement of comparatives and with certain simplifications available upon adoption. The Company has elected to use the second approach by implementing the standard retrospectively in relation to all leases in which the Company is a lessee without restating comparatives. The implementation of IFRS 16 will not affect total equity. The adjustments to assets and liabilities are disclosed in the financial statements.

The Company has elected to apply the exemption for low value assets on lease-by-lease basis. The Company has decided that for the leases where the asset is sub-leased, a right-of-use asset is recognized with the corresponding lease liability. For all other leases of low value assets, the lease payment associated with those leases will be recognized as an expense.

(g) Provisions

Provisions are recognized when a present legal or constructive obligation exists as a result of past events, where it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably measured. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

(h) Interest income

Interest incomes are recognized at the end of each month a loan remains outstanding.

(i) Foreign currencies

Transactions are recorded on initial recognition in Ghana cedis, being the currency of the primary economic environment in which the company operates (the functional currency). Transactions in foreign currencies during the year are converted into Ghana cedis at prevailing rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Ghana cedis at the rates of exchange ruling at the statement of financial position date. The resulting gains and losses are dealt with in the profit or loss account.

(j) Dividend

Dividends on ordinary shares are charged to equity in the period in which they are declared.

(k) Post statement of financial position events

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

(l) Contingent liabilities

Contingent liabilities are potential liabilities that arise from past events, the existence of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the Company.

Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

(m) Critical accounting estimates and assumptions

Estimates 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. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. In addition, significant estimates are involved in the determination of provisions related to taxes and litigation risks. These estimates are subject to change as new information becomes available and changes subsequent to these estimates may significantly affect future operating results.

(n) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the course of business. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final outcomes of these matters are different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made.

(o) Critical judgments in applying the entity's accounting policies

In the process of applying the company's accounting policies, management has made judgment in determining:

- the classification of non-current assets
- whether assets are impaired
- provisions and contingent liabilities

(p) Loans and Advances

Loans and Advances are stated in the statement of financial position at the amount of principal less provisions for loan loss.

Expected Credit Loss Impairment model

In July 2014, the IASB issued the final version of IFRS 9 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: classification and measurement, impairment and hedge accounting. It is effective for annual periods beginning on or after 1 January, 2019, with early

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

application permitted. The bank adopted this standard effective 1 January, 2022 and did not restate comparative information or apply it.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or 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 (or events) 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 or a group of debtors are experiencing significant financial difficulty, default, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and advances category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss.

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

(q) Investments

Investments are purchased with the intention of being held to maturity and they are stated at amortized cost. The interest is disclosed separately in interest income.

| | 2022 | 2021 |
|--|-------------|------|
| | GH¢ | GH¢ |

3. Interest income

This represents income from loans, overdrafts, and investments.

| | | |
|-------------------------|--------------------------|------------------|
| Interest on loans | 7,073,543 | 5,557,867 |
| Interest on overdrafts | 387,889 | 144,588 |
| Interest on investments | <u>3,993,319</u> | <u>2,278,963</u> |
| | <u>11,454,751</u> | <u>7,981,418</u> |

4. Interest expense

The represents interest paid on customers' savings and fixed deposit accounts during the period.

| | | |
|------------------------------|-------------------------|------------------|
| Interest on savings accounts | 384,142 | 392,436 |
| Interest on fixed deposits | 1,031,435 | 908,242 |
| Interest on borrowings | <u>440,919</u> | <u>4,205</u> |
| | <u>1,856,496</u> | <u>1,304,883</u> |

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

| | 2022 | 2021 |
|--|------|------|
| | GH¢ | GH¢ |

5. Fees and commissions

This is made up of processing fees for loans and commissions for various services undertaken for customers.

| | | |
|-----------------|------------------|------------------|
| SMS charges | 53,130 | 34,366 |
| Processing fee | 1,153,601 | 792,326 |
| Commitment fees | 946,371 | 579,845 |
| | <u>2,153,102</u> | <u>1,406,537</u> |

6. Other income

This represents income from:

| | | |
|------------------------|----------------|----------------|
| Bad debt recovery | 26,588 | 30,396 |
| Recoverable stationery | 1,200 | 910 |
| Sundry income | 484,657 | 259,711 |
| | <u>512,445</u> | <u>291,017</u> |

7. Other disclosures

Profit for the year is arrived at after charging:

| | | |
|------------------------------|--------|---------|
| Directors' sitting allowance | 38,800 | 114,884 |
| Auditor's remuneration | 63,663 | 44,719 |

8. a. Loan Loss provision (Impairment)

| | | |
|------------------------------|------------------|------------------|
| Balance at start | 2,810,798 | 2,429,189 |
| Adjustment during the period | (241,708) | 381,609 |
| Balance at end | <u>2,569,090</u> | <u>2,810,798</u> |

b. Impairment

IFRS 9 requires the bank to record expected credit losses (ECL) on all debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The bank applied the general approach in calculating expected losses on all its instruments. The ECL schedule is below:

Expected Credit Loss Schedule

| <i>Instrument</i> | <i>Stage 1 12-months ECL</i> | <i>Stage 2 Lifetime ECL</i> | <i>Stage 3 Lifetime ECL</i> | <i>Total</i> |
|-----------------------------|----------------------------------|---------------------------------|---------------------------------|------------------|
| Loans (including Overdraft) | <u>389,880</u> | <u>651,880</u> | <u>1,527,330</u> | <u>2,569,090</u> |

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

| | 2022 | 2021 |
|--|------|------|
| | GH¢ | GH¢ |

9. Other expenses

| | | |
|---------------------------------|-------------------------|-------------------------|
| Travel and transportation | 1,046,336 | 611,244 |
| Board expenses | 103,238 | 388,265 |
| Susu commission | 336,007 | 170,483 |
| Other expenses – susu | 17,388 | 8,478 |
| Newspapers and periodicals | 3,560 | 5,205 |
| Utilities & ICT | 1,012,157 | 816,110 |
| Entertainment expenses | 59,873 | 46,633 |
| Repairs and maintenance | 399,409 | 304,388 |
| Fuel | 405,374 | 418,263 |
| Printing and stationery | 111,874 | 140,329 |
| Bank charges | 42,397 | 42,548 |
| Donations | 24,161 | 14,766 |
| Rent and rates | 73,528 | 50,154 |
| Insurance premium | 91,327 | 63,263 |
| Specie expenses | 92,500 | 28,245 |
| Loan recovery expenses | 23,382 | 15,016 |
| Cleaning and sanitation | 129,779 | 143,275 |
| Police guard duty allowance | 139,294 | 74,510 |
| Consultancy | 174,839 | 66,968 |
| Advertising and publicity | 1,936 | 24,568 |
| Annual general meeting expenses | 52,453 | 64,500 |
| Annual subscription | 35,919 | 32,844 |
| Out of station | 16,497 | 24,470 |
| SMS charges | 17,509 | 4,345 |
| Attachment - staff allowance | 150 | 1,280 |
| Cashier transportation | 19,350 | 16,630 |
| Funeral grant | 43,308 | 65,381 |
| Registrar fee | 1,106 | 10,703 |
| Penalty | 6,000 | 73,775 |
| Other expenses – general | 102,066 | 88,324 |
| Mobilization expenses | 6,972 | 12,527 |
| Commission expenses | 7,493 | 8,612 |
| Bad debt expense | 23,379 | - |
| Anniversary expenses | - | 650 |
| Promotion & development | - | 17,800 |
| Staff end of year durbar | - | 12,135 |
| Clearing account write-off | - | 1,952,021 |
| Scholarship | - | 8,032 |
| | <u>4,620,561</u> | <u>5,826,740</u> |

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

| | | |
|--|-------------|------|
| | 2022 | 2021 |
| | GHC | GHC |

10. Personnel expenses

| | | |
|---------------------------------------|-------------------------|-------------------------|
| Salaries & wages | 2,920,882 | 2,412,118 |
| Medical | 193,553 | 138,286 |
| Staff provident fund | 214,422 | 177,931 |
| Social security fund | 356,352 | 273,418 |
| Staff clothing allowance | 381,091 | 208,257 |
| Staff and directors training expenses | 121,085 | 149,571 |
| Other staff expenses | 528,050 | 257,576 |
| Long service award | 135,000 | 156,000 |
| Lunch subsidy | 243,030 | 180,365 |
| Overtime allowance | 7,934 | 16,098 |
| Responsibility allowance | 94,048 | 68,844 |
| | <u>5,195,447</u> | <u>4,038,464</u> |

11. Taxation

(a) Income tax

| | Balance at beginning | Payments | Charge for the year | Balance at end |
|---------------------|----------------------|------------------------|----------------------|----------------------|
| | GHC | GHC | GHC | GHC |
| Current income tax | (19,517) | (50,000) | 102,418 | 32,901 |
| Deferred income tax | <u>22,814</u> | - | <u>(38,206)</u> | <u>(15,392)</u> |
| | <u>3,297</u> | <u>(50,000)</u> | <u>64,212</u> | <u>17,509</u> |

(b) Deferred tax

| | | |
|----------------------------------|------------------------|----------------------|
| At start of year | 22,814 | 7,033 |
| Income statement (credit)/charge | <u>(38,206)</u> | <u>15,781</u> |
| At end of year | <u>(15,392)</u> | <u>22,814</u> |

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 25% (2021: 25%). The movement on the deferred income tax account is as follows:

(c) Corporate tax

| Year of assessment | Balance b/d | Tax audit adjustment | Tax charged | Tax paid | Balance c/f |
|--------------------|------------------------|----------------------|-----------------------|------------------------|----------------------|
| | GHC | GHC | GHC | GHC | GHC |
| 2022 | <u>(19,517)</u> | <u>-</u> | <u>102,418</u> | <u>(50,000)</u> | <u>32,901</u> |
| 2021 | <u>(30,865)</u> | <u>189,640</u> | - | <u>(178,292)</u> | <u>(19,517)</u> |

DANGME RURAL BANK LIMITED
 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

12. Property, plant and equipment

| | Freehold Land & Building GH¢ | Leasehold Land & Building GH¢ | Furniture, Fittings & Equipment GH¢ | Motor Vehicles GH¢ | Computer & Accessories GH¢ | Software GH¢ | CWIP GH¢ | Total GH¢ |
|-----------------------------------|------------------------------------|--|--|--------------------------|----------------------------------|-----------------------|-----------------------|-------------------------|
| Cost | | | | | | | | |
| Balance at beginning | 2,704,112 | 709,237 | 774,273 | 538,184 | 492,230 | 432,008 | 105,739 | 5,755,783 |
| Additions | - | - | 231,544 | - | 17,300 | - | 50,494 | 299,338 |
| Balance at end | <u>2,704,112</u> | <u>709,237</u> | <u>1,005,817</u> | <u>538,184</u> | <u>509,530</u> | <u>432,008</u> | <u>156,233</u> | <u>6,055,121</u> |
| Depreciation/ Amortization | | | | | | | | |
| Balance at beginning | 620,790 | 179,119 | 632,695 | 538,184 | 446,045 | 60,865 | - | 2,477,698 |
| Charge for the year | 104,724 | 26,506 | 48,105 | - | 15,870 | 43,201 | - | 238,406 |
| Balance at end | <u>725,514</u> | <u>205,625</u> | <u>680,800</u> | <u>538,184</u> | <u>461,915</u> | <u>104,066</u> | <u>-</u> | <u>2,716,104</u> |
| Represented by: | | | | | | | | |
| Net book value – 2022 | <u>1,978,598</u> | <u>503,612</u> | <u>325,017</u> | <u>-</u> | <u>47,615</u> | <u>327,942</u> | <u>156,233</u> | <u>3,339,017</u> |
| Net book value -2021 | <u>2,083,322</u> | <u>530,118</u> | <u>141,578</u> | <u>-</u> | <u>46,185</u> | <u>371,143</u> | <u>105,739</u> | <u>3,278,085</u> |

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

| | 2022 | 2021 |
|--|------|------|
| | GH¢ | GH¢ |

12b. Right-of-use asset

| | | |
|-----------------------|----------------|----------------|
| Bal. at beginning | 147,000 | 135,000 |
| Addition | <u>124,800</u> | <u>12,000</u> |
| Bal. at end | <u>271,800</u> | <u>147,000</u> |
| Amortization | | |
| Bal. at the beginning | 112,080 | 65,400 |
| Charge for the year | <u>42,480</u> | <u>46,680</u> |
| Bal. at end | <u>154,560</u> | <u>112,080</u> |
| Net book value | <u>117,240</u> | <u>34,920</u> |

13. Cash and cash equivalent

This is made up of cash at hand and bank balances as at the year end.

| | | |
|------------------------------------|-------------------|------------------|
| Cash on hand & e-money | 2,373,139 | 2,144,406 |
| Amount due from other banks | 4,851 | 52,368 |
| Current Account with ARB Apex Bank | 2,469,385 | 1,033,583 |
| Apex 5% deposit reserve | 2,628,139 | 2,677,083 |
| APEX ACOD | <u>4,000,000</u> | - |
| | <u>11,475,514</u> | <u>5,907,440</u> |

14. Investments

This is made up of balances on investment instruments and government short-term securities with other financial institutions.

| | | |
|------------------------------|-------------------|-------------------|
| Treasury Bills | 19,393,000 | 20,000,000 |
| Fixed Deposits - Cal Bank | 794,453 | 680,023 |
| *Bond - GCB Amalgamated Fund | <u>5,562,337</u> | <u>5,562,337</u> |
| | <u>25,749,790</u> | <u>26,242,360</u> |

**This represents amount outstanding with Uni Securities (under receivership) converted to zero coupon 5-year bonds (GCB Amalgamated Fund).*

15. Other assets

| | | |
|------------------------|------------------|------------------|
| Interagency account | 238,564 | 203,125 |
| Stationery stock | 253,064 | 222,691 |
| Ezwich cash control | 31,357 | 28,602 |
| Office account | 486,201 | 349,589 |
| Insurance prepaid | 10,541 | 6,076 |
| Int. and comm. accrued | <u>1,117,019</u> | <u>1,082,738</u> |
| | <u>2,136,746</u> | <u>1,892,821</u> |

DANGME RURAL BANK LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

| | 2022 | 2021 |
|--|------|------|
| | GH¢ | GH¢ |

16. Other liabilities

| | | |
|----------------------------|------------------|------------------|
| Landlord – Ningo Building | 12,501 | 54,501 |
| Inv. income not yet earned | 977,159 | 328,457 |
| Provisions | 117,383 | 30,093 |
| Other payables | 771,001 | 540,886 |
| Payment order | - | 119,382 |
| Office account | 73,519 | 279,181 |
| | <u>1,951,563</u> | <u>1,352,500</u> |

17. Loans and advances to customers

| | | |
|---------------------|--------------------|--------------------|
| Loans to customers | 27,973,718 | 15,174,142 |
| Loan loss provision | <u>(2,569,090)</u> | <u>(2,810,799)</u> |
| | <u>25,404,628</u> | <u>12,363,343</u> |

18. Fixed Deposits/ Deposits from customers

The company takes deposits from customers through savings accounts and fixed deposit instruments. This represents balances on customer accounts at the year end.

| | | |
|---------------------|-------------------|-------------------|
| Current accounts | 15,222,793 | 12,899,275 |
| Savings accounts | 32,692,026 | 26,254,856 |
| Time/ fixed deposit | 10,110,599 | 8,086,488 |
| | <u>58,025,418</u> | <u>47,240,619</u> |

19. Long-term Borrowing

This represents a 7-year loan facility granted by ARB Apex Bank PLC during the year.

20. Stated capital

| | Quantity | GH¢ |
|-------------------|--------------------|------------------|
| Authorized shares | <u>200,000,000</u> | - |
| Issued for cash | <u>73,369,839</u> | <u>1,741,094</u> |

- The company increased its share capital in 2022 to 1,741,094 (2021: GH¢ 1,695,369). The Board of Directors approved the transaction and filed at the Office of the Registrar of Companies.

21. Contingent liabilities

There were no contingent liabilities at the statement of financial position date.

22. Capital commitments

There were no capital commitments at the statement of financial position date.

23. Financial risk management

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize the potential adverse effects on its financial performance. Risk management is carried out by the management of the Company under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks. For example, cash requirements are reviewed and any excess funds invested for interest to hedge against loss of value.

Foreign currency risk

The Company does not deal with foreign currencies in their operations and therefore has no direct exposure to foreign currency risk.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is in the business of advancing loans to customers and therefore has a high exposure to credit risk. The Company maintains a provision for loan loss based upon the expected collectability of all loans. Strict credit control is exercised through a robust assessment of customer requests before granting loans, monitoring of customers' loan performance and, when necessary, provision is made for doubtful accounts. As at the year end, management had provided for general credit risk and specific risk exposure based on how long some loans and advances have been outstanding. The table below shows the maximum exposure to credit risk by class of financial instrument:

| | 2022 | 2021 |
|--|--------------------------|-------------------|
| | GHC | GHC |
| Bank balances | 11,475,514 | 5,907,440 |
| Loan to clients | 27,973,718 | 15,174,142 |
| Investments | 25,749,790 | 26,242,360 |
| Investment in securities (ARB Apex shares) | 66,004 | 66,004 |
| Total credit risk exposure | <u>65,265,026</u> | <u>47,389,946</u> |

24. Related party transactions

The following are the transactions between the related parties during the year:

The Directors and Other senior management had deposit accounts with year end balances as follows:

| | 2022 | 2021 |
|---|-------------------------|------------------|
| | GHC | GHC |
| Loans granted | | |
| Directors | 16,883 | 10,000 |
| Staff | <u>3,238,638</u> | <u>790,180</u> |
| | <u>3,255,521</u> | <u>800,180</u> |
| Amount of loan balances outstanding: | | |
| Directors | 19,463 | 8,955 |
| Staff | <u>2,988,036</u> | <u>1,127,629</u> |
| | <u>3,007,498</u> | <u>1,136,584</u> |

25. Regulatory disclosures

Liquidity ratio

The bank's liquid assets to total assets at the end of 2022 was 55% (2021: 64.58%)

Capital Adequacy ratio

The bank's capital adequacy ratio at the end of 2022 was 7% (2021: -5.31%)

Minimum paid-up capital

According to section 28 of the Bank and Specialized Deposit-Taking Institutions Act, 2016 (Act 930), the Bank has met the minimum paid-up capital requirement of GHC 1,000,000 for rural and community banks.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

26. Earnings per share

| | 2022 | 2021 |
|--------------------------------------|-------------------|-------------|
| | GH¢ | GH¢ |
| Profit / (loss) for the year | 2,344,404 | (2,352,667) |
| No. of ordinary shares issued | 73,369,839 | 73,222,049 |
| Basic and diluted earnings per share | 0.03 | - |

27. Government of Ghana Domestic Debt Exchange Program (DDEP)

The Government of Ghana began a DDEP in December 2022. The program requires bondholders of domestic debt to voluntarily exchange their domestic notes and bonds, including E.S.L.A. and Daakye bonds, for a package of New Bonds to be issued. The Government of Ghana is in the process of working out modalities for the issue of new bonds, which may substantially affect the value of current bond holding of Dangme Rural Bank Limited in the ensuing period. We draw attention to the possible loss of value on the coupon payments and bond holdings of the Bank, which will be duly recognized in the financial statements. The current bond holding of the bank is GH¢ 5,562,337 (including accrued interest).

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

LIST OF TOP 20 SHAREHOLDERS AS AT 31 DECEMBER 2022

| | NAME | % HOLDING | NO. OF SHARES |
|----|---------------------------------|------------------|----------------------|
| 1 | BENJAMIN KUSAH | 7.31 | 5,356,125 |
| 2 | W.G. NARTEY | 2.35 | 1,719,849 |
| 3 | DANGME RURAL BANK TRUST ACCOUNT | 1.37 | 1,005,591 |
| 4 | DOE ADJAOTOR | 0.84 | 613,125 |
| 5 | MODERN GHANA BUILDING LTD | 0.81 | 595,125 |
| 6 | MODERN GHANA BUILDING LTD | 0.81 | 595,125 |
| 7 | L. DORA BAMPOE | 0.68 | 495,144 |
| 8 | J.S. ODONKOR | 0.65 | 478,686 |
| 9 | A.N. ANTIAYE | 0.65 | 476,100 |
| 10 | AGNES S. ARMAH | 0.65 | 476,100 |
| 11 | KPONE COOPERATIVE FISHING LTD | 0.65 | 476,100 |
| 12 | SALOMEY A. KUSAH | 0.65 | 476,100 |
| 13 | C.M. MARTEY | 0.65 | 476,100 |
| 14 | SETH B. MARTEY | 0.65 | 476,100 |
| 15 | I.M. NARH | 0.65 | 476,100 |
| 16 | J. TETTEH NARH | 0.65 | 476,100 |
| 17 | J. TEYE NARH | 0.65 | 476,100 |
| 18 | QUAYE A.L. | 0.65 | 476,100 |
| 19 | P.A. NARH | 0.65 | 476,100 |
| 20 | E.A. NARTEY | 0.65 | 476,100 |
| | | 22.62 | 16,571,970 |
| | OTHERS | 77.38 | 56,797,869 |
| | | 100.00 | 73,369,839 |

DANGME RURAL BANK LIMITED
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ANALYSIS OF SHAREHOLDING AS AT 31 DECEMBER 2022

| CATEGORY | NO. OF SHAREHOLDERS | % HOLDING | NO. OF SHARES |
|---------------------|----------------------------|------------------|----------------------|
| 1 - 50,000 | 5,091 | 33.63 | 24,630,382 |
| 50,001 - 100,000 | 141 | 14.41 | 10,550,268 |
| 100,001 - 1,000,000 | 145 | 40.91 | 29,959,834 |
| 1,000,001 & above | 3 | 11.01 | 8,081,565 |
| | | 100 | 73,369,839 |

LIST OF DIRECTORS WHO HELD SHARES DURING THE YEAR

| NAME | % HOLDING | NO. OF SHARES |
|----------------------------|------------------|----------------------|
| ABRAHAM WILSON TETTEH ADDO | 0.1002 | 73,345 |
| EBENEZER ADDICO | 0.0403 | 29,835 |
| ELIZABETH DEDE PARDIE | 0.1366 | 10,000 |
| FRANCIS AMANOR TETTEH | 0.0087 | 6,423 |
| DANIEL TEYE BOTCHWAY | 0.0081 | 6,000 |