



LA COMMUNITY BANK LIMITED
REPORTS AND FINANCIAL
STATEMENTS
2017

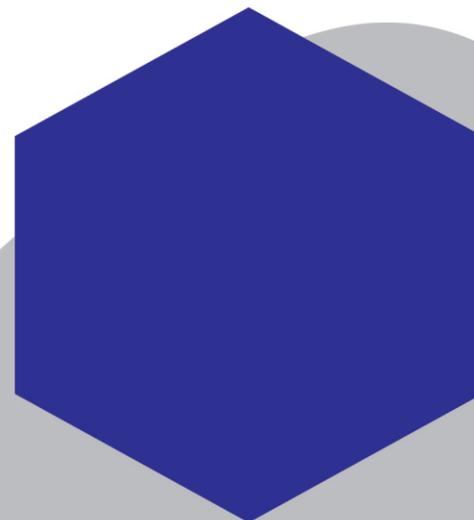
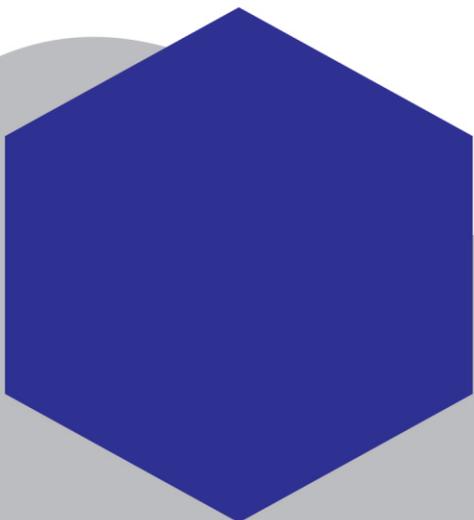




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LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTICE OF MEETING

Notice is hereby given that the Thirtieth Annual General Meeting of **LA COMMUNITY BANK LIMITED** will be held at the **PRESBYTERIAN CHURCH HALL, OSU** on **THURSDAY, 19TH JULY, 2018 at 10:00 a.m** . for the following purposes.

AGENDA

1. To receive and consider the Financial Statements for the year ended 31st December 2017, together with the Report of the Directors and Auditors thereon.
2. To declare dividend for the year ended 31st December, 2017.
3. To re-elect retiring Directors.
4. To elect Mr. David Emmanuel Annang Oddoye as a Director.
5. To authorize the Directors to determine the remuneration of the Auditors.

Dated this 12th Day of June, 2018

L.S.N. AKUETTEH
SECRETARY

- NOTE:**
1. A copy of the Financial Statements for the year ended 31st December, 2017 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 OF DIRECTORS

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)

SOLICITOR/SECRETARY

Mr. L. S. N. Akuetteh

AUDITORS

KPMG
13 Yiyiwa Drive
Abelenkpe
P.O. Box GP242
Accra

COUNTRY OF INCORPORATION

Ghana

REGISTERED OFFICE

No. G224/1 Lami Jwahe
Post Office Box LA 499
La - Accra

BANKERS

Barclays Bank Ghana Limited
Fidelity Bank (Ghana) Limited
ARB Apex Bank Limited



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

CHAIRMAN'S STATEMENT

Introduction

Distinguished Shareholders, invited Guests, Ladies and Gentlemen, I am delighted and privileged to welcome you once again to the 30th Annual General Meeting of your Bank. Your Bank has been in business for the past 30 years due to your unwavering support in many ways. I therefore wish to take this opportunity to congratulate you and thank you for this achievement.

Economic Environment

In 2017 the attempts by the government to stabilize the economy seemed to have yielded some positive results: inflation dropped, interest rates fell, the exchange rate was moderately stable and output growth increased significantly. The declining interest rates environment was evidenced by the 330 basis point drop in the benchmark 91-day Treasury Bill to close the year at 13.01%, while the Central Bank reduced the Policy Rate by 550 basis points over the same period. Inflation for the period also continued to drop from the figure of 15.4% at the beginning of the year to close the year at 11.8%.

On the real side of the economy, a boost in oil production and the relative stability in electric power supply yielded an output growth of about 8.5 percent for 2017; making Ghana the country with the highest growth rate in the world. Again for 2017, Ghana's external position was robust with an average accumulation of gross international reserves equivalent to about three and a half months of import cover.

These positive results notwithstanding, there were clear signs that the government was not having it easy consolidating the fiscal. While Expenditure was largely contained, Revenue intake fell below budget resulting in a fiscal deficit, albeit within budget. The fiscal consolidation also meant a slowdown in government contracts, thus affecting Bank advances.

There were also some regulatory directives which came out in the year that affected the outturn of banks. In particular, a new banking law came into effect. This, together with the change over of financial reporting from the traditional Ghana Accounting Standard to the International Financial Reporting Standards (IFRS) affected the classification and interpretation of certain financial items which impacted on the Bank's bottom line

Operating Performance

Due to the challenging economic and business environment, our Operating Performance in 2017 fell below that of 2016. Net Profit Before Tax fell by about 68% from a restated figure of GH¢2.06 million in 2016 to GH¢659,698 in 2017 attributable to high Operating Expenses, which increased by 40% from GH¢1.97 million in 2016 to GH¢2.76 million in 2017. Personnel Expenses also increased by 26.6% from GH¢3.11 million in 2016 to GH¢3.94 million in 2017.

Net Interest Income on the other hand grew by 6.4% from GH¢6.74 million in 2016 to GH¢7.17 million in 2017 due to the consistent decline in Money Market Interest Rates compared with our relatively high cost of funds in the year under review.



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CHAIRMAN'S STATEMENT

However Profit After Tax saw a significant growth of 98.3% from a restated figure of GH¢277,954 in 2016 to GH¢551,148 in 2017. This was the result of a re-statement of the 2016 accounts to reflect a number of adjustments that needed to be made.

Ladies and Gentlemen, I can assure you that the Board and Management are making strenuous efforts to address the challenges, especially in the areas of controlling operating expenses and increasing income. It is our expectation that these efforts will yield significant results and manifest in improved operating performance in 2018.

Financial Position

I am pleased to inform you that the Stated Capital of your Bank increased from GH¢1.5 million in 2016 to GH¢2.04 million in 2017. This is more than double the regulatory requirement for Rural and Community Banks. The increase in share capital was achieved through the sale of shares to new and existing Shareholders in 2017. I therefore wish to welcome all new Shareholders to this meeting and also, to congratulate all existing Shareholders who purchased additional Shares. I wish to remind Members and indeed, all of us here, that the sale of shares is still ongoing and I encourage you all to buy more shares in the Bank.

The Bank's Total Assets grew by 15.4% from GH¢44 million in 2016 to GH¢50.8 million in 2017 mainly due to the success of Deposit mobilization efforts. Deposits increased by 21.6% from GH¢33.3 million in 2016 to GH¢40.5 million in 2017, Loans and Advances also increased marginally by about 1% from GH¢3.04 million in 2016 to GH¢3.07 million in 2017. We will endeavour to identify credit worthy and viable businesses to support and also increase our lending to less risky Consumer Loan customers in order to make a significant impact on the growth of our Loan Book.

Appropriation

Ladies and Gentlemen, the Bank's Net Profit in 2017, after deducting Tax Liability of GH¢108,550, which was available for appropriation was GH¢551,148. Out of this, an amount of GH¢74,012 has been transferred to the Statutory Reserve Fund, leaving a balance of GH¢477,136. A further adjustment in respect of Other Comprehensive Income brought the balance to GH¢459,302.

A provision of GH¢373,848 has been made for the payment of Dividend for 2017.

Distinguished Shareholders, I am happy to report that we continue to support our local Communities and Institutions with various donations as part of our Corporate Social Responsibility. Our Scholarship Scheme for needy students in our locality also continues to receive our firm and committed support. So far, the Bank has assisted a total of 163 students, out of which 45 are continuing students in various Secondary and Tertiary Institutions across the country. To support the continued education of these students, we have made an additional allocation of GH¢50,000 to the La Education Fund.

Dividend

In spite of the challenges of the year under review and our reduced profits, the Board has proposed a Dividend of 2 Pesewas per Share totalling GH¢373,848 for 2017. A resolution will be tabled in the course of this meeting for your approval to authorise the Directors to pay the recommended Dividend.



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

CHAIRMAN'S STATEMENT

Outlook for 2018

Distinguished Shareholders, the banking landscape has seen some significant developments over the last 12 months and it is quite clear that further changes are likely to occur. Fortunately, your Bank is safe, sound and secure. It is well-capitalized, liquid, and solvent. With good governance and sound management, we can look forward to the efficient deployment of our financial and other resources in the creation of profitable assets to enable you earn good returns on your investment.

I am also pleased to inform you that we have successfully transformed our IT System. We will therefore leverage on this enhanced capability to introduce a variety of new electronic and mobile banking products to increase our business lines and also make banking more convenient for our cherished customers. We are working hard to enhance our distribution channels and improve customer experience in our banking halls.

In order to bring our services to the door steps of our Community, we intend to open new Cash Centres at vantage points in the city where we will intensify our marketing for new business in order to increase our deposits for profitable investment while ensuring that we keep a firm grip on operating and personnel expenses. This is expected to generate increased earnings and more profitable operations for the Bank in the future.

We will also seek to grow our Loan and Advances portfolio by carefully managing the associated risk in order to increase lending to viable and relatively low risk businesses and individuals.

Staff

We will continue to value and support the professional development of our Human Capital through continuous on-the-job training and various management development programs organised in house and off-site, in order to enhance the capabilities of our staff and keep them abreast with new developments in the industry.

Similar training and relevant Banking and Corporate Governance Training has been planned for the Directors to further enrich their knowledge to guarantee the growth and development of your Bank and better prepare it for the challenges of the future.

Conclusion

Distinguished Shareholders, it is with a great sense of loss that I have to inform you of the passing of our former Board Chairman, Dr. K. B. Asante, who died in January this year and was laid to rest in March 2018. Many of us are already aware of this sad event, but we will still like to put on record our deep sorrow and condolences to his family.

May I, at this point, respectfully ask you to stand for a minute's silence in his Honour and Memory. May His Soul Rest in Perfect Peace.

Finally, I wish to thank you, our cherished Customers and Shareholders for your unflinching loyalty and support. I also wish to thank Management and Staff of the Bank for their invaluable contribution in the Bank's operations, in spite of the challenges in the past year. I am also very grateful to my colleagues on the Board, for their co-operation and support. I cannot conclude without saying a big Thank You to the Almighty God, by whose grace and mercy we have life, good health and are all able to achieve success.



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CHAIRMAN'S STATEMENT

I am confident that with our continued hard work, your support and help from The Almighty, we can look forward to great success for the Bank in the years ahead.
Thank you all for coming and may God bless us all.

.....
B.A.Gogo

Chairman.



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

REPORT OF THE DIRECTORS TO THE MEMBERS OF LA COMMUNITY BANK LIMITED

REPORT OF THE DIRECTORS

The Directors in submitting to the shareholders the financial statements of the Bank for the year ended 31 December 2017 report, as follows:

DIRECTORS' RESPONSIBILITY STATEMENT

The Bank's Directors are responsible for the preparation of financial statements that give a true and fair view of La Community Bank Limited, comprising the statement of financial position at 31 December 2017, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1963 (Act 179), and Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). In addition, the Directors are responsible for the preparation of the Directors' report.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the business will not be a going concern.

The Auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

FINANCIAL REPORT AND DIVIDEND

The financial results of the Bank for the year ended 31 December 2017 are set out in the attached financial statements, highlights of which are as follows:

31 December	2017	2016
	GH¢	GH¢
Profit before taxation is	659,698	2,059,004
from which is deducted taxation of	<u>(108,550)</u>	<u>(1,781,050)</u>
giving a profit after taxation for the year of	551,148	277,954
to which is deducted Other Comprehensive Income, net of tax, of	(17,834)	(9,108)
less net transfer to statutory reserve fund and other reserves of	(74,012)	(34,744)
out of which was paid/declared dividend of	<u>(827,300)</u>	<u>(610,402)</u>
leaving a balance of	(367,998)	(376,300)
which when added to a balance brought forward on retained earnings of	<u>3,713,320</u>	<u>4,089,620</u>
gives a balance of	<u>3,345,322</u>	<u>3,713,320</u>

As indicated above, in accordance with Section 29(a) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), an amount of GH¢ 74,012 (2016: 34,744) was transferred to the statutory reserve fund from profit for the year, bringing the cumulative balance on the statutory reserve fund to GH¢ 2,273,273 at the year end.

The Directors recommend the payment of dividend of GH¢ 373,848 (2016: GH¢ 827,300).



**LA COMMUNITY BANK LIMITED
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**REPORT OF THE DIRECTORS
TO THE MEMBERS OF
LA COMMUNITY BANK LIMITED (CONT'D)**

NATURE OF BUSINESS

The principal activities carried out by the Bank include the provision of micro finance facilities in the form of loans to the general public, with the emphasis on lending to those in society with limited incomes who would not ordinarily qualify for a loan from a traditional bank. The Bank also accepts deposits of various types including current accounts, savings accounts and enters into contracts for fixed deposits.

The Bank is licensed to operate the business of a community bank.

There was no change in the nature of the Bank's business during the year.

MAJORITY SHAREHOLDER

The majority shareholder of the Bank, La Mansaamo Kpee holds 15.36% of the stated capital of the Bank.

AUDITOR

The Auditor, KPMG, will continue in office in accordance with Section 134 (5) of the Companies Act, 1963 (Act 179).

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Bank were approved by the board of Directors on 29th May, 2018 and were signed on their behalf by:

B.A.Gogo

Chairman.

P. K. Tehova

Director.



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LA COMMUNITY BANK LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of La Community Bank Limited ("the Bank"), which comprise the statement of financial position at 31 December 2017, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 75.

In our opinion, these financial statements give a true and fair view of the financial position of La Community Bank Limited at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1963 (Act 179) and Banks 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 Bank in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

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

Impairment allowance on loans and advances to customers was GH¢ 1,778,497.

Refer to Note 20 to the financial statements.

Impairment of loans and advances to customers is a key audit matter because of the complexity and subjectivity involved in estimating the timing and amount of cash flows used in the computation. Loans and advances for which there is objective evidence that an impairment event has occurred are assessed individually for impairment. If there is deemed to be no evidence that an impairment exists on an individual basis, loans are assessed collectively for impairment.

Assessing impairment allowances on loans and advances to customers requires management to make assumptions about financial conditions and the timing of expected future cash flows. Cash flows are determined from collateral values and/or promise to pay cash flows which are supported with appropriate documents.



**LA COMMUNITY BANK LIMITED
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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
LA COMMUNITY BANK LIMITED (CONT'D)**

Key Audit Matter- cont'd

The collective impairment loss allowance relates to losses Incurred But Not Yet Reported (IBNR loss allowances) on other loans and advances to customers.

The two key judgments in the collective impairment assessment are the likelihood of default and the emergence period. The impairment assessment requires the application of significant judgement by management including the application of industry knowledge, prevailing economic conditions and historical data to determine the level of impairment allowance required.

Our procedures to address this key audit matter included:

- Assessing and testing the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers;

Assessing and testing the design and operating effectiveness of controls over the Bank's loan impairment process regarding management review process over impairment calculations;

- Substantively testing the year end impairment models for collective and individual provisioning by re-performing calculations and agreeing a sample of data inputs to source documentation. We also assessed whether the data used in the models included all the relevant information through testing a sample of relevant data fields and their aggregate amounts against data in the source systems;
- Critically assessing and challenging the assumptions used by the Bank in their impairment models using our understanding of the Bank, the historical accuracy of its estimates, current and past performance of the Bank's loans and our knowledge of the industry in respect of similar loan types;
- Undertaking a detailed assessment of a sample of exposures for individual impairment taking a risk based approach to focus on those with the greatest potential impact on the financial statements. Our assessment specifically challenged the Bank's assumptions of expected future cash flows;
- Critically assessing and analysing the assumptions and data used by the Bank in determining the likelihood of default and emergence period for collective impairment assessment; and
- Examining a sample of performing loans to evaluate if any indicators of impairment existed and that individual impairment provisions have been recorded.



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LA COMMUNITY BANK LIMITED (CONT'D)

Other Matter

The financial statements of La Community Bank Limited as at and for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on these financial statements on 30 May 2017.

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, 1963 (Act 179) and Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation 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 Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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 Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LA COMMUNITY BANK LIMITED (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 Bank'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 the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.



LA COMMUNITY BANK LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
LA COMMUNITY BANK LIMITED (CONT'D)

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 133 of the Companies Act, 1963 (Act 179) and Section 78 of Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.

In our opinion, proper books of account have been kept and the statements of financial position and comprehensive income are in agreement with the books of account.

The Bank's transactions were within its powers and the Bank generally complied with the relevant provisions of Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The Bank has generally complied with the provisions of the Anti-Money Laundering Act, 2008 (Act 749), as amended by the Anti-Money Laundering Amendments Act, 2014 (Act 874) and the Anti-Terrorism Act, 2008 (Act 762) as amended by the Anti-Terrorism amendment Act, 2012 (Act 842) and the Regulations governing these Acts.

The Engagement Partner on the audit resulting in this Independent Auditor's Report is **Frederick Nyan Dennis (ICAG/P/1426)**.

.....
For and on behalf of:
KPMG: (ICAG/F/2018/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELINKPE
P O BOX GP 242
ACCRA

12 June 2018.



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

PROFILE OF DIRECTORS STANDING FOR RE-ELECTION

MR. NICHOLAS OKOE SAI – PROFILE

Mr. Nicholas Okoe Sai is a Chartered Accountant, and also holds an EMBA – Finance from University of Ghana, Business School, Legon, and ISMS {Information Security Management System} from Security University. Virginia, USA.

He is a member of the Institute of Chartered Accountants, Ghana; Institute of Internal Auditors {IIA – USA} and Institute of Risk Management, UK.

He held several senior positions at the Bank of Ghana, including Head, Banking Supervision Department; Head, Internal Audit Department, Regional Manager – Bank of Ghana, Takoradi.

He introduced the Risk Management function at the Bank of Ghana.

He retired as Advisor to the Governor of the Bank of Ghana in December, 2012.

He is currently the Chief Executive Officer {CEO} and Lead Consultant at Noswin Consult.

DR. {MRS.} MATILDA PAPPOE

Dr. {Mrs.} Matilda Pappoe holds PhD. In Medical Sociology from McGill University, Canada; Master of Public Health {MPH} and BSc in Public Health Education from the University of California, Berkeley, USA. She is currently the Consultant on Public Health Programme Design and Evaluation / Health Promotion, University of Ghana Medical School.

She has held several senior positions at the University of Ghana Medical School including Head, Department of Social and Behavioural Sciences.

She was also a Senior Lecturer at the Department of Community Health School of the Ghana Medical School, and a Research Fellow, University of Ghana Medical School.

Dr. Pappoe, in academia, has done a lot of research and published academic articles, journals, and books, mostly on health, women and children, and community development. She has also edited many books and provided technical reports in a number of health related cases.

She retired from the University of Ghana in 2002 but continued to lecture until 2009.

She is a senior citizen with active interest in social and community affairs

MR. BENJAMIN OBODAI

Mr. Obodai is an Internal Auditor with the Electricity Company of Ghana Limited (ECG). He holds Part 2 of the Institute of Chartered Accountants, Ghana {ICA} and Bachelor of Science, Finance from Ghana Institute of Management and Public Administration {GIMPA}.

He also holds a Masters Degree in Accounts and Taxation from the same Institution.

He has over 20 years experience in Central Accounts and an Internal Auditor in the energy sector. He is also an Entrepreneur.

He has been a Director of La Community Bank Limited for the past 27 years.



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

PROFILE OF DIRECTOR STANDING FOR ELECTION

MR. DAVID EMMANUEL ANANG ODDOYE

Mr. David E. A. Oddoye is a seasoned Chartered Accountant, having worked for over 37 years in both Private practice and Industry. He holds an Executive Masters Degree in Business Administration (EMBA), Finance Option, 2011, from the University of Ghana Business School.

Mr. David Oddoye started his professional career at Tetey Ussher and Partners, where he specialised in the audit of Small and Medium Size organisations. (SMES).

He later joined Peat Marwick Cassleton Elliot & Co, (now KPMG) in 1981. There he learned to audit large organisations and he was part of the audit team which audited organisations like Pioneer Tobacco Company Limited, Cementation International, a British construction company and Barclays Bank, Ghana Limited.

Mr. David Oddoye has also worked with several companies in industry, and held key positions at Gihoc Meat Products Company Limited; Ghana Primewood Company Limited; BMK Company Limited, Takoradi and Japan Motors Trading Company as Group Chief Accountant.

In 2012 he retired from Japan Motors Trading Company as Group Chief Accountant. He then founded his own Auditing Firm called DOFAC Services.

DOFAC Services has done Audit and Assurance work for some organisations like Accra Street Academy; Fun Ghana Limited; Forensic Audit for Japan Motors and Silver Star Automobile companies.



LA COMMUNITY BANK LIMITED
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LA COMMUNITY BANK LIMITED
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

	Note	2017 GH¢	2016 GH¢ Restated	1 Jan 2016 GH¢ Restated
Assets				
Cash and cash equivalents	17	31,521,686	26,599,976	26,143,767
Investment securities - Held to Maturity	18	11,891,650	9,754,240	435,567
Investment securities - Available for Sale	19	137,155	211,313	232,040
Loans and advances to customers	20	3,067,526	3,039,940	2,371,671
Current tax asset	15 (a)	143,306	-	-
Property and equipment	21	3,319,270	3,246,553	3,053,823
Deferred tax assets	22	78,026	13,228	586,968
Other assets	23	657,544	1,151,354	832,776
Total assets		<u>50,816,163</u>	<u>44,016,604</u>	<u>33,656,612</u>
Liabilities				
Deposits from customers	24	40,573,593	33,329,680	24,089,575
Current tax liabilities	15 (a)	-	238,748	66,939
Deferred tax liabilities	22	480,461	586,608	172,296
Provisions	26	302,904	298,799	226,287
Employee benefit liability	25	76,178	71,800	67,693
Other liabilities	27	1,594,282	1,880,574	1,061,144
Total liabilities		<u>43,027,418</u>	<u>36,406,209</u>	<u>25,683,934</u>
Equity				
Stated capital	28 (a)	2,037,905	1,527,905	1,527,905
Statutory reserve	28 (b)	2,273,273	2,199,261	2,164,517
Available-for- sale reserve	28 (b)	132,245	169,909	190,636
Retained earnings	28 (b)	3,345,322	3,713,320	4,089,620
Total Equity		<u>7,788,745</u>	<u>7,610,395</u>	<u>7,972,678</u>
Total equity and liabilities		<u>50,816,163</u>	<u>44,016,604</u>	<u>33,656,612</u>

B.A. Gogo

Chairman.

P. K. Tehova

Director.

The financial statements of the Bank were approved by the Board of Directors on 29th May, 2018.

The notes on pages 23-74 are an integral part of these financial statements.



LA COMMUNITY BANK LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS

LA COMMUNITY BANK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	Restated
	Note	GH¢	2016
			GH¢
Interest income	8	9,132,699	7,843,097
Interest expense	8	<u>(1,965,005)</u>	<u>(1,101,915)</u>
Net interest income		<u>7,167,694</u>	<u>6,741,182</u>
Fees and commission income	9	565,602	541,421
Other operating income	10	115,745	161,388
Other income	11	<u>19,934</u>	<u>21,857</u>
Net trading and other income		<u>701,281</u>	<u>724,666</u>
Revenue		7,868,975	7,465,848
Impairment loss on financial assets	12	(142,623)	47,101
Personnel expenses	13	(3,947,546)	(3,111,190)
Depreciation and amortization	21(a)	(351,380)	(370,285)
Other operating expenses	14	<u>(2,767,728)</u>	<u>(1,972,470)</u>
Profit before income tax		659,698	2,059,004
Income tax expense	15	<u>(108,550)</u>	<u>(1,781,050)</u>
Profit after tax attributable to equity holders of the Bank		551,148	277,954
Other comprehensive income, net of tax			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of defined benefit liability	25	(36,878)	(9,108)
Related tax	22(a)	<u>19,044</u>	<u>-</u>
		(17,834)	(9,108)
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Fair value loss on available-for-sale financial assets	19	(74,158)	(20,727)
Related tax	22(a)	<u>36,494</u>	<u>-</u>
		(37,664)	(20,727)
Total comprehensive income attributable to equity holders of the Bank		<u>495,650</u>	<u>248,119</u>

The notes on pages 23- 74 are an integral part of these financial statements.



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

LA COMMUNITY BANK LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Stated Capital	Deposit for Share	Available- fo r-sale reserve	Statutory Reserve	Credit risk Reserve	Retained Earnings	Total
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Balance as at 1 January 2016	1,527,905	-	190,636	2,164,517	1,196,105	4,220,488	9,299,651
Impact of prior period errors	-	-	-	-	(1,196,105)	(130,868)	(1,326,973)
Restated balance as at 1 January 2016	1,527,905	-	190,636	2,164,517	-	4,089,620	7,972,678
Profit for the year	-	-	-	-	-	277,954	277,954
Other comprehensive income:							
Remeasurement of defined benefit liability	-	-	-	-	-	(9,108)	(9,108)
Fair value gain/(loss) on AFS asset	=	-	(20,727)	-	-	-	(20,727)
Total other comprehensive income	-	-	(20,727)	-	-	(9,108)	(29,835)
Transfer to statutory reserve	-	-	-	34,744	-	(34,744)	=
Net transfers to reserves	-	-	-	34,744	-	(34,744)	=
Transactions with owners of the Bank							
Dividends paid	-	-	-	=	-	(610,402)	(610,402)
Total transactions with owners of the Bank	-	-	-	=	-	(610,402)	(610,402)
Balance at 31 December 2016 - Restated	<u>1,527,905</u>	<u>-</u>	<u>169,909</u>	<u>2,199,261</u>	<u>-</u>	<u>3,713,320</u>	<u>7,610,395</u>

The notes on pages 23-74 are an integral part of these financial statements.



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

LA COMMUNITY BANK LIMITED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017 (CONT'D)

	Stated Capital	Deposit for Share	Available- fo r-sale reserve	Statutory Reserve	Credit risk Reserve	Retained Earnings	Total
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Balance at 1 January 2017 - Restated	<u>1,527,905</u>	-	<u>169,909</u>	<u>2,199,261</u>	-	<u>3,713,320</u>	<u>7,610,395</u>
Profit for the year	-	-	-	-	-	551,148	551,148
Other comprehensive income							
Remeasurement of defined benefit liability	-	-	-	-	-	(17,834)	(17,834)
Fair value gain/(loss) on Available-for-sale asset	-	-	(37,664)	-	-	-	(37,664)
Total other comprehensive income	-	-	(37,664)	-	-	(17,834)	(55,498)
Transfer to statutory reserve	-	-	-	74,012	-	(74,012)	-
Net transfers to reserves	-	-	-	74,012	-	(74,012)	-
Transactions with owners of the Bank							
Shares issued	510,000	-	-	-	-	-	510,000
Dividend declared	-	-	-	-	-	(827,300)	(827,300)
Total transactions with owners of the Bank	<u>510,000</u>	-	-	-	-	(827,300)	(317,300)
Balance at 31 December 2017	<u>2,037,905</u>	-	<u>132,245</u>	<u>2,273,273</u>	-	<u>3,345,322</u>	<u>7,788,745</u>

The notes on pages 23-74 are an integral part of these financial statements.



LA COMMUNITY BANK LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS

LA COMMUNITY BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 GH¢	Restated 2016 GH¢
Profit after tax		551,148	277,954
<i>Adjustments for:</i>			
Depreciation	21(a)	351,380	370,285
Net impairment loss on financial assets	12	142,623	(47,101)
Net interest income	8	(7,167,694)	(6,741,182)
Profit on disposal of property and equipment	21(b)	(600)	-
Income tax expense	15	<u>108,550</u>	<u>1,781,050</u>
		(6,014,593)	(4,358,994)
<i>Changes in:</i>			
Investment securities		(2,137,410)	(9,318,673)
Loans and advances to customers		(170,210)	(603,216)
Other assets		493,810	(318,578)
Provisions		4,105	72,512
Deposits from Customers		7,243,913	9,240,105
Employee benefit liability*		(32,500)	(5,000)
Other liabilities		<u>(1,113,592)</u>	<u>819,430</u>
		(1,726,477)	(4,472,414)
Interest received		9,132,699	7,843,097
Interest paid		(1,965,005)	(1,101,915)
Taxes paid	15(a)	<u>(606,010)</u>	<u>(639,142)</u>
Net cash flow from operating activities		4,835,207	1,629,626
Cash flow from investing activities			
Acquisition of property and equipment	21	(424,097)	(563,015)
Proceeds from disposal of property and equipment	21(b)	<u>600</u>	-
Net cash flow used in investing activities		<u>(423,497)</u>	<u>(563,015)</u>
Financing activities			
Dividend paid		-	(610,402)
Proceeds from issue of shares		<u>510,000</u>	-
Net cash flows from/(used in) financing activities		<u>510,000</u>	<u>(610,402)</u>
Net increase in cash and cash equivalents		4,921,710	456,209
Balance at beginning		<u>26,599,976</u>	<u>26,143,767</u>
Cash and cash equivalents at 31 December		<u>31,521,686</u>	<u>26,599,976</u>

* This relates to payments made during the period to employees who have served the Bank for more than 10 years

The notes on pages 23-74 are an integral part of these financial statements.



LA COMMUNITY BANK LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS

LA COMMUNITY BANK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONT'D)

	Note	2017 GH¢	2016 GH¢
<i>Cash and cash equivalents:</i>			
Cash and bank balances		5,896,064	5,940,633
Investment securities		<u>25,625,622</u>	<u>20,659,343</u>
Cash and cash equivalents at 31 December	17	<u>31,521,686</u>	<u>26,599,976</u>

The notes on pages 23-74 are an integral part of these financial statements.



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

LA COMMUNITY BANK LIMITED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. REPORTING ENTITY

La Community Bank Limited (the Bank) is a limited liability company incorporated in Ghana. The address of the Bank's registered office is G224/1 Lami Jwahe, P. O. Box LA 499, La, Accra. The financial statements of the Bank as at, and for the year ended 31 December 2017 are as stated in this report. The principal activities carried out by the Bank include the provision of micro finance facilities in the form of loans to the general public. The Bank also accepts deposits of various types including current accounts, savings accounts and enters into contracts for fixed deposits.

For Companies Act, 1963 (Act 179) reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by part of the statement of comprehensive income in these financial statements.

2. BASIS OF ACCOUNTING

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

They were authorised for issue by the Board of Directors on 29th May, 2018.

The financial statements for prior years have been restated to reflect the impact of material prior period errors.

Details of the nature of these prior period errors are disclosed in Note 34.

Details of the Bank's accounting policies are included in Note 37.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Ghana Cedi, which is the Bank's functional currency.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2017 are set out below in relation to the impairment of financial assets and in the following notes:

- Note 6 – determination of fair value of financial instruments with significant unobservable inputs; and
- Note 22 (a) – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. USE OF JUDGEMENTS AND ESTIMATES (CONT'D)

(a) Assumptions and estimation uncertainties (cont'd)

Impairment of financial instruments

Assets accounted for at amortised cost are evaluated for impairment on the basis described in Note 37 (g) (vii). The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits and management takes into consideration the required compulsory savings maintained by the customers. A collective component of the total allowance is established for groups of homogeneous loans that were not found to be individually impaired (loss 'Incurred But Not Reported' or IBNR).

The collective allowance for groups of homogeneous loans is established using statistical methods such as a formula approach based on historical loss rate experience. Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted, where relevant, to reflect the type of product at the reporting date.

The IBNR allowance covers credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

5. FINANCIAL RISK REVIEW

This Note presents information about the Bank's exposure to financial risks and the Bank's management of capital. For information on the Bank's financial risk management framework, See Note 35.

a.	<i>Credit risk, collateral given and offsetting:</i>	Page
i.	Analysis of credit quality	20
ii.	Collateral held and other credit enhancements	22
iii.	Concentrations of credit risk	23
iv.	Impaired loans	23
b.	<i>Liquidity risk</i>	24
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ii.	Maturity analysis for financial assets and financial liabilities	25
iii.	Liquidity reserves	27
iv.	Financial assets available to support future funding	27
v.	Financial assets pledged as collateral	28
c.	<i>Market risk</i>	28
i.	Exposure to interest rate risk – Non-trading portfolios	30
d.	<i>Capital management</i>	30
i.	Regulatory capital	30
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LA COMMUNITY BANK LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW (CONT'D)

(a) Credit risk

For the definition of credit risk and information on how credit risk is managed by the Bank, See Note 35 (B).

(i) Analysis of credit quality

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

<i>Maximum exposure to credit risk</i>	Note	2017 GH¢	2016 GH¢
Loans and advances to customers	20	3,067,526	3,039,940
Investment securities - Held to Maturity	18	11,891,650	9,754,240
Cash and cash equivalents	17	<u>31,521,686</u>	<u>26,599,976</u>
		<u>46,480,862</u>	<u>39,394,156</u>
<i>At amortised cost - Loans and advances to customers</i>			
Grade 6: Substandard		96,193	683,672
Grade 7: Doubtful		81,027	-
Grade 8: Loss		<u>1,566,524</u>	<u>144,610</u>
Total gross amount		1,743,744	828,282
Allowance for impairment		<u>(1,616,730)</u>	<u>(828,282)</u>
Net carrying amount		<u>127,014</u>	=
Grade 1–3: Low–fair risk		3,102,279	3,111,998
Grade 4–5: Watch list		-	<u>735,532</u>
Total gross amount		3,102,279	3,847,530
Allowance for impairment		<u>(161,767)</u>	<u>(807,592)</u>
Net carrying amount		<u>2,940,512</u>	<u>3,039,938</u>
Total net carrying amount		<u>3,067,526</u>	<u>3,039,938</u>
<i>At amortised cost - Investments - Held to Maturity</i>			
Grade 1–3: Low–fair risk		<u>11,891,650</u>	<u>9,754,240</u>
<i>At amortised cost - Cash and cash equivalents</i>			
Grade 1–3: Low–fair risk		<u>31,521,686</u>	<u>26,599,976</u>
		<u>46,480,862</u>	<u>39,394,154</u>

Cash and cash equivalents are held with ARB Apex Bank and other financial institution counterparties that are reputable. Held to maturity investments are also held with reputable financial and non-financial institutions. These instruments are therefore classified in the low-fair risk grade.



LA COMMUNITY BANK LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW (CONT'D)

(a) Credit risk (cont'd)

(i) Analysis of credit quality (cont'd)

	2017	2016
	GH¢	GH¢
<i>Individually impaired</i>		
Grade 6: Substandard	96,193	683,672
Grade 7: Doubtful	81,027	-
Grade 8: Loss	<u>1,566,524</u>	<u>144,610</u>
	<u>1,743,744</u>	<u>828,282</u>
<i>Allowance for impairment</i>		
Individual	(1,616,730)	(1,582,967)
Collective	<u>(161,767)</u>	<u>(52,907)</u>
Total allowance for impairment	<u>(1,778,497)</u>	<u>(1,635,874)</u>

Impaired loans

See accounting policy in Note 37 (g) (vii).

The Bank regards a loan and advance as impaired when there is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Loans that are subject to a collective impairment are not considered specifically impaired. An average loan loss percentage of 25% and emergence period of 21% were used in determining the collective impairment of loans and advances to customers.

Impaired loans and advances are graded 6 to 8 in the Bank's internal credit risk grading system See Note 35 (B).

Loans that are past due but not impaired

Loans that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank.

Loans with renegotiated terms and the Bank's forbearance policy

See accounting policy in Note 37(g)(vii).

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 37 (g) (vii).



**LA COMMUNITY BANK LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW (CONT'D)

(a) Credit risk (cont'd)

(i) Analysis of credit quality (cont'd)

The Bank renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

Irrespective of whether loans with renegotiated terms have been derecognised or not, they remain disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

Cash and cash equivalents

The Bank held cash and cash equivalents of GH¢ 31,521,686 at 31 December 2017 (2016: GH¢ 26,599,976). The cash and cash equivalents are held with financial institutions including ARB Apex Bank.

(ii) Collateral held and other credit enhancements, and their financial effect

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

Type of credit exposure	Note	2017 GH¢	2016 GH¢	Principal type of collateral held
Loans to customers	20	3,067,526	3,039,940	Compulsory savings (cash collateral) and other short term investments

Loans to customers

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it (see Note 35 (B)). However, collateral provides additional security and the Bank generally requests that borrowers provide it. The Bank may take collateral in the form of compulsory savings.

Other types of collateral

In addition to the compulsory savings used as collateral for loans, the Bank also holds other types of collateral such as investments (i.e. treasury bills).

Assets obtained by taking possession of collateral

The Bank did not hold any financial and non-financial assets resulting from taking possession of collateral held as security against loans and advances at the reporting date.



LA COMMUNITY BANK LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW (CONT'D)

(a) Credit risk (cont'd)

(iii) Concentrations of credit risk

The Bank monitors concentrations of credit risk by type/category of loan and advances. An analysis of concentrations of credit risk from loans and advances is shown below.

	Loans to customers	
	2017	2016
	GH¢	GH¢
Carrying amount	<u>3,067,526</u>	<u>3,039,940</u>
Concentration by product:		
Term loans	2,345,739	2,492,896
Overdrafts	1,471,254	1,396,604
Staff loans	<u>1,029,030</u>	<u>786,313</u>
Gross loans	4,846,023	4,675,813
Less: Impairment	<u>(1,778,497)</u>	<u>(1,635,873)</u>
	<u>3,067,526</u>	<u>3,039,940</u>

(iv) Impaired loans

For the definition of 'impaired financial asset', See Note 5 (A)(i).

For details of impairment allowance for loans and advances to customers, See Note 5 (A)(i).

Set out below is an analysis of the gross and net (of allowance for impairment) amounts of individually impaired loans by risk grade.

	Gross amount	Net amount
	GH¢	GH¢
Loans to customers		
31 December 2017		
Grade 6: Individually Impaired	96,193	7,007
Grade 7: Individually Impaired	81,027	5,902
Grade 8: Individually Impaired	<u>1,566,524</u>	<u>114,105</u>
Gross amount	<u>1,743,744</u>	<u>127,014</u>
31 December 2016		
Grade 6: Individually Impaired	683,672	-
Grade 7: Individually Impaired	-	-
Grade 8: Individually Impaired	<u>144,610</u>	<u>-</u>
Gross amount	<u>828,282</u>	<u>-</u>



**LA COMMUNITY BANK LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW (CONT'D)

- (a) Credit risk (cont'd)**
- (iv) Impaired loans (cont'd)**

Key ratios on loans

Loan loss provision ratio is 36.70% (2016: 34.99%).

Percentage of gross non-performing loans with respect to Bank of Ghana Prudential Norms (specifically impaired) to total gross loans and advances is 35.98% (2016: 17.71%).

Ratio of fifty (50) largest exposures (gross funded) to total exposure is 45.55% (2016: 47.21%).

(b) Liquidity risk

For the definition of liquidity risk and information on how liquidity risk is managed by the Bank, See Note: 35 (C).

i. 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, 'liquid assets' includes cash, cash reserve balances with ARB Apex Bank, balances with banks, investments up to one year and Government securities. 'Volatile liabilities' includes deposits from customers, other liabilities, etc.

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.

	2017	2016
	%	%
At period end	107	109



LA COMMUNITY BANK LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW (CONT'D)

(b) Liquidity risk (cont'd)

ii. Maturity analysis for financial assets and financial liabilities

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

	Note	Carrying amount GH¢	Nominal inflow /(outflow) GH¢	Less than 1 month GH¢	1-3 months GH¢	3 months to 1 year GH¢
31 December 2017						
Financial liability by type						
<i>Non-derivative financial liabilities</i>						
Deposits from Customers	24	40,573,593	(37,234,097)	(8,338,177)	(4,387,530)	(24,508,390)
Other liabilities*	27	<u>1,577,905</u>	<u>(1,577,905)</u>	-	-	<u>(1,577,905)</u>
		<u>42,151,498</u>	<u>(38,812,002)</u>	<u>(8,338,177)</u>	<u>(4,387,530)</u>	<u>(26,086,295)</u>
Financial asset by type						
<i>Non-derivative financial assets</i>						
Cash and cash equivalents	17	31,521,686	31,521,686	5,896,024	25,625,662	-
Investment securities - Held to maturity	18	11,891,650	11,891,650	-	-	11,891,650
Loans and advances to customers	20	3,067,526	3,067,526	-	-	3,067,526
Other assets**	23	<u>370,243</u>	<u>370,243</u>	-	<u>70,243</u>	-
		<u>46,851,105</u>	<u>46,851,105</u>	<u>5,896,024</u>	<u>25,995,905</u>	<u>14,959,176</u>

* Excluded from other liabilities is deferred grant of GH¢ 16,377 (2016: 19,107).

** Excluded from other assets are prepaid rent of GH¢ 250,438 (2016: 362,664) and Stationery stock of GH¢ 36,863 (2016: 35,616).



LA COMMUNITY BANK LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW (CONT'D)

(b) Liquidity risk (cont'd)

ii. Maturity analysis for financial assets and financial liabilities (cont'd)

	Note	Carrying amount GH¢	Nominal inflow /(outflow) GH¢	Less than 1 month GH¢	1-3 months GH¢	3 months to 1 year GH¢
31 December 2016						
Financial liability by type						
<i>Non-derivative liabilities</i>						
Deposits from Customers	24	33,329,680	(33,175,384)	(7,627,965)	(3,785,757)	(21,761,662)
Other liabilities	27	<u>1,861,468</u>	<u>(1,861,468)</u>	<u>-</u>	<u>-</u>	<u>(1,861,468)</u>
		<u>35,191,148</u>	<u>(35,036,852)</u>	<u>(7,627,965)</u>	<u>(3,785,757)</u>	<u>(23,623,130)</u>
Financial asset by type						
<i>Non-derivative financial assets</i>						
Cash and cash equivalents	17	26,599,976	26,599,976	5,940,625	20,659,351	-
Investment securities - Held to Maturity	18	9,754,240	9,754,240	-	383,324	9,370,916
Loans and advances to customers	20	3,039,940	3,039,940	-	-	3,039,940
Other assets	23	<u>753,074</u>	<u>753,074</u>	<u>-</u>	<u>753,074</u>	<u>-</u>
		<u>40,147,230</u>	<u>40,147,230</u>	<u>5,940,625</u>	<u>21,795,749</u>	<u>12,410,856</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW (CONT'D)

(b) Liquidity risk (cont'd)

ii. *Maturity analysis for financial assets and financial liabilities (cont'd)*

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.

The Bank's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows.

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents.

iii. *Liquidity reserves*

The table below sets out the components of the Bank's liquidity reserves.

	Carrying amount 2017 GH¢	Fair value 2017 GH¢	Carrying amount 2016 GH¢	Fair value 2016 GH¢
Balances with ARB Apex Bank	5,141,584	5,141,584	5,266,877	5,266,877
Cash and balances with other banks	25,713,912	25,713,912	20,662,896	20,662,896
Other cash and cash equivalents	666,190	666,190	670,203	670,203
Total liquidity reserves	<u>31,521,686</u>	<u>31,521,686</u>	<u>26,599,976</u>	<u>26,599,976</u>

iv. *Financial assets available to support future funding*

The table below sets out the availability of the Bank's financial assets to support future funding.

	Note	Encumbered	Unencumbered	Total
		GH¢	GH¢	GH¢
31 December 2017				
Cash and cash equivalents	17	2,043,800	29,477,886	31,521,686
Investment securities- Held to Maturity	18	=	<u>11,891,650</u>	<u>11,891,650</u>
		<u>2,043,800</u>	<u>41,369,536</u>	<u>43,413,336</u>
31 December 2016				
Cash and cash equivalents	17	1,562,800	25,037,176	26,599,976
Investment securities- Held to Maturity	18	=	9,754,240	9,754,240
		<u>1,562,800</u>	<u>34,791,416</u>	<u>36,354,216</u>

Encumbered represents mandatory reserve required to be maintained by the Bank based on the Regulator's requirements. See Note 17.



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW (CONT'D)

(b) Liquidity risk (cont'd)

v. *Financial assets pledged as collateral*

The Bank did not have financial assets pledged as collateral for liabilities at the reporting date (2016: Nil).

(c) Market risk

For the definition of market risk and information on the metrics (and their limitations) used by the Bank to manage the market risks of non-trading portfolios, See Note 35 (D).

The table below sets out the allocation of assets and liabilities subject to market risk.

	Note	Carrying amount GH¢	Market risk measure Non-trading portfolios GH¢
31 December 2017			
Assets subject to market risk			
Cash and cash equivalents	17	31,521,686	31,521,686
Investment securities	18	11,891,650	11,891,650
Loans and advances to customers	20	<u>3,067,526</u>	<u>3,067,526</u>
		<u>46,480,862</u>	<u>46,480,862</u>
Liabilities subject to market risk			
Deposits from customers	24	<u>40,573,593</u>	<u>40,573,593</u>
31 December 2016			
Assets subject to market risk			
Cash and cash equivalents	17	26,599,976	26,599,976
Investment securities	18	9,754,240	9,754,240
Loans and advances to customers	20	<u>3,039,940</u>	<u>3,039,940</u>
		<u>39,394,156</u>	<u>39,394,156</u>
Liabilities subject to market risk			
Deposits from customers	24	<u>33,329,680</u>	<u>33,329,680</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW (CONT'D)

(c) Market risk (cont'd)

The following is a summary of the Bank's interest rate gap position on non-trading portfolios.

	Note	Carrying amount GH¢	Less than 1 months GH¢	1-3 months GH¢	3-12 months GH¢
31 December 2017					
Cash and cash equivalents	17	31,521,686	5,896,024	25,625,662	-
Investment securities	18	11,891,650	-	-	11,891,650
Loans and advances to customers	20	<u>3,067,526</u>	<u>-</u>	<u>-</u>	<u>3,067,526</u>
		<u>46,480,862</u>	<u>5,896,024</u>	<u>25,625,662</u>	<u>14,959,176</u>
Deposits from customers	24	<u>(40,573,593)</u>	<u>(8,338,177)</u>	<u>(4,387,530)</u>	<u>(24,508,390)</u>
		<u>(40,573,593)</u>	<u>(8,338,177)</u>	<u>(4,387,530)</u>	<u>(24,508,390)</u>
Total interest repricing gap		<u>5,907,269</u>	<u>(2,442,153)</u>	<u>21,238,132</u>	<u>(9,549,214)</u>
31 December 2016					
Cash and cash equivalents	17	26,599,976	5,940,625	20,659,351	-
Investment securities	18	9,754,240	-	383,324	9,370,916
Loans and advances to customers	20	<u>3,039,940</u>	<u>-</u>	<u>-</u>	<u>3,039,940</u>
		<u>39,394,156</u>	<u>5,940,625</u>	<u>21,042,675</u>	<u>12,410,856</u>
Deposits from customers	24	<u>(33,329,680)</u>	<u>(7,627,965)</u>	<u>(3,785,757)</u>	<u>(21,761,662)</u>
		<u>(33,329,680)</u>	<u>(7,627,965)</u>	<u>(3,785,757)</u>	<u>(21,761,662)</u>
Total interest repricing gap		<u>6,064,476</u>	<u>(1,687,340)</u>	<u>17,256,918</u>	<u>(9,350,806)</u>



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW (CONT'D)

(c) Market risk (cont'd)

i. *Exposure to interest rate risk – non-trading portfolios*

The management of interest rate risk against interest rate gap limits is supplemented by monitoring sensitivity of the Bank's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 50 basis point (bp) parallel fall or rise in market interest rates.

Due to the fixed nature of the Bank's interest bearing instruments, no sensitivity analysis has been disclosed. Overall, non-trading interest rate risk positions are managed by Treasury, which uses investment securities and customer deposits to manage the overall position arising from the Bank's non-trading activities.

(d) Capital management

i. *Regulatory capital*

The Bank's regulator, the Bank of Ghana sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements, the Bank of Ghana requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, also referred to as core/primary capital is made up of equity and disclosed reserves. Equity includes issued and fully paid ordinary share capital and perpetual non-cumulative preference shares. Disclosed reserves relate to those created or increased by appropriation of after tax retained earnings/surplus and general statutory reserves and does not include regulatory credit risk reserve.
- Tier 2 capital, also referred to as supplementary/secondary capital includes revaluation reserves, latent revaluation reserves and hybrid capital instruments. Latent revaluation reserves relate to unrealised gains on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. The qualifying tier 2 capital cannot exceed tier 1 capital. Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures (if any).

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank complied with the statutory capital requirements throughout the period. There have been no material changes in the Bank's management of capital during this period.



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ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW (CONT'D)

(d) Capital management (cont'd)

i. Regulatory capital (cont'd)

Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk-weighted asset base. In accordance with Bank of Ghana regulations, a minimum ratio of 10% is to be maintained. The table below summarizes the composition of regulatory capital and ratios of the Bank.

	Note	2017 GH¢	2016 GH¢
Tier 1 capital			
Ordinary share capital	28(a)	2,037,905	1,527,905
<i>Disclosed reserves</i>			
Statutory reserve	28 (b)	2,273,273	2,199,261
Retained earnings	28 (b)	<u>3,345,322</u>	<u>3,713,320</u>
Total disclosed reserves		<u>5,618,595</u>	<u>5,912,581</u>
Permanent preference shares		-	-
Total tier 1 capital		7,656,500	7,440,486
Net tier 1 capital		<u>7,656,500</u>	<u>7,440,486</u>
Tier 2 capital:			
Latent revaluation reserves		<u>132,245</u>	<u>169,908</u>
Total tier 2 capital		<u>132,245</u>	<u>169,908</u>
Total adjusted regulatory capital base		<u>7,920,990</u>	<u>7,780,302</u>
Total assets (less contra items)		<u>50,816,163</u>	<u>44,016,604</u>
Less:			
Cash on hand (Cedi)		666,190	670,203
Cash on hand (forex)		-	-
Claims on ARB Apex Bank:			
i Cedi clearing account balance		3,097,784	3,704,076
ii 5% Deposits		<u>2,043,800</u>	<u>1,562,800</u>
Total claims on ARB Apex Bank	17	<u>5,141,584</u>	<u>5,266,876</u>
Balance carried forward		<u>45,008,389</u>	<u>38,079,525</u>



LA COMMUNITY BANK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. FINANCIAL RISK REVIEW (CONT'D)

(d) Capital management (cont'd)

i. Regulatory capital (cont'd)

Capital adequacy ratio (cont'd)

	2017 GH¢	2016 GH¢
Balance brought forward	45,008,389	38,079,525
Claims on Government:		
i Treasury securities (bills and bonds)	3,820,466	8,671,790
80% of cheques drawn on other banks	187,469	44,821
Investments in capital of other banks and financial institutions	137,155	211,313
80% of claims on Discount Houses in Cedi/forex	10,197,887	6,564,486
80% of claims on Other Banks in Cedi/forex	13,004,876	9,544,828
50% of claims on other financial institutions(Public Sector) in Cedi/forex	<u>1,146,562</u>	<u>864,997</u>
Adjusted total assets	16,513,974	12,177,290
Add:		
100% of 3yrs average annual gross income	<u>6,133,914</u>	<u>3,986,640</u>
Total risk weighted assets base	<u>22,647,888</u>	<u>16,163,930</u>
Capital adequacy ratio (adjusted regulatory capital base as percentage of risk weighted assets base)	<u>34.97%</u>	<u>48.13%</u>
Capital surplus	<u>5,656,201</u>	<u>6,163,909</u>

ii. Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by the Bank's Risk Management and Credit Administration Units, and is subject to review by the executive committee of the Board as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives.



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

See accounting policy in Note 37 (g) (vi).

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(a) Valuation models

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 not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments 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 market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates.

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.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.



LA COMMUNITY BANK LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(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.

	Note	Level 2
31 December 2017		
Investment securities - Available for sale	19	<u>137,155</u>
		<u>137,155</u>
31 December 2016		
Investment securities - Available for sale	19	<u>211,313</u>
		<u>211,313</u>

The inputs used in determining the fair value of the Bank's available-for-sale investment include the following:

	2017	2016
Number of unit of shares held in Apex Bank	56,632	56,632
Total number of Issued and paid shares (APEX)	10,205,589	10,205,589
% of Bank's holding of Apex Bank shares	0.55%	0.55%
Net asset of Apex Bank at year end 31 December	38,080,386	24,813,391

Fair value was determined as the Bank's share of Apex Bank's net assets at the reporting period end.

(c) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised. The carrying amounts of these financial instruments approximate their fair value.



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D)

(c) Financial instruments not measured at fair value

31 December 2017	Note	Level 2	Total
Assets			
Cash and cash equivalents	17	31,521,686	31,521,686
Held-to-maturity investment securities	18	11,891,650	11,891,650
Loans and advances to customers	20	<u>3,067,526</u>	<u>3,067,526</u>
		<u>46,480,862</u>	<u>46,480,862</u>
Liabilities			
Deposits from Customers	24	<u>40,573,593</u>	<u>40,573,593</u>
		<u>40,573,593</u>	<u>40,573,593</u>
31 December 2016			
Assets			
Cash and cash equivalents	17	26,599,976	26,599,976
Held-to-maturity investment securities	18	9,754,240	9,754,240
Loans and advances to customers	20	<u>3,039,940</u>	<u>3,039,940</u>
		<u>39,394,156</u>	<u>39,394,156</u>
Liabilities			
Deposits from customers	24	<u>33,329,680</u>	<u>33,329,680</u>
		<u>33,329,680</u>	<u>33,329,680</u>

7. SEGMENT REPORTING

The Bank's current operation is not segregated to show divisional performance and as such does not lend itself to segmental reporting; hence management has not provided information on segmental reporting.

8. NET INTEREST INCOME	2017	2016
	GH¢	GH¢
See accounting policy in Note 37 (b).		
Interest income		
Loans	609,023	971,625
Overdrafts	383,591	297,036
Interest on investments (fixed deposits and treasury bills)	<u>8,140,085</u>	<u>6,574,436</u>
Total interest income	<u>9,132,699</u>	<u>7,843,097</u>
Interest expense		
Savings	808,748	672,785
Fixed deposits	<u>1,156,257</u>	<u>429,130</u>
Total interest expense	<u>1,965,005</u>	<u>1,101,915</u>
Net interest income	<u>7,167,694</u>	<u>6,741,182</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. FEES AND COMMISSION INCOME	2017	2016
	GH¢	GH¢
See accounting policy in Note 37 (c).		
Brokerage fees	157,791	144,744
Clearing fees	8,234	7,875
Commission on turnover	184,722	204,082
Drafts and transfers	19,828	27,083
Money transfers	156,568	148,805
Other fees and commission	<u>38,459</u>	<u>8,832</u>
	<u>565,602</u>	<u>541,421</u>
10. OTHER OPERATING INCOME		
Interest on nostro accounts	22,078	23,161
Commitment and handling charges	<u>93,667</u>	<u>138,227</u>
	<u>115,745</u>	<u>161,388</u>
11. OTHER INCOME		
Gain on disposal of property and equipment (Note 21 (b))	600	-
Capital grant income	<u>19,334</u>	<u>21,857</u>
	<u>19,934</u>	<u>21,857</u>
12. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS		
See accounting policy in Note 37 (g) (vii).		
Specific impairment loss/(reversal)	142,753	(47,101)
Collective impairment reversal	<u>(130)</u>	<u>-</u>
Net impairment loss/(reversal) on financial assets	<u>142,623</u>	<u>(47,101)</u>
13. PERSONNEL EXPENSES		
See accounting policy in Note 37 (o).		
Wages and salaries	2,784,570	1,842,155
Social security fund	253,736	210,090
Overtime	7,419	27,273
Staff Bonus	209,469	142,048
Medical cost	77,120	75,209
Other staff cost	<u>615,232</u>	<u>814,415</u>
	<u>3,947,546</u>	<u>3,111,190</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. OTHER OPERATING EXPENSES	2017	2016
	GH¢	GH¢
Advertising and marketing expenses	124,595	88,052
Directors' emoluments and expenses (non-executive)	212,755	172,200
Professional fees	119,290	84,221
Auditor's remuneration	61,000	30,000
Donations and subscription	68,277	52,210
Rent and rates	249,535	127,714
Stationery and printing	88,835	104,459
Bank charges	22,086	11,421
Training	27,305	42,715
Insurance	83,472	67,552
Traveling expenses	59,165	28,753
Repairs and maintenance	259,694	222,531
Meeting expenses	94,219	64,372
Office expenses	613,614	576,869
Education and development support	50,000	100,000
Miscellaneous expenses	<u>633,886</u>	<u>199,401</u>
	<u>2,767,728</u>	<u>1,972,470</u>

An amount of GH¢ 13,798 (2016: GH¢ 16,600) was spent as part of the Bank's corporate social responsibility.

15. INCOME TAX EXPENSE	2017	2016
	GH¢	GH¢
See accounting policy in Note 37 (f).		
Current year income tax - See Note (a) below	223,956	532,627
Changes in estimate relating to prior years	-	278,324
Deferred tax charge/(credit) - See Note 22 (a)	<u>(115,406)</u>	<u>970,099</u>
	<u>108,550</u>	<u>1,781,050</u>

31 December 2017

(a) Income tax	Balance at	Payments	Charge for	Balance at
	01/01/2017	during the	the year	31/12/2017
	GH¢	year	the year	GH¢
		GH¢	GH¢	
<i>Income tax</i>				
2011- 2013	(3,771)	-	-	(3,771)
2014	158,688	-	-	158,688
2015	(87,978)	(17,695)	-	(105,673)
2016	171,809	(310,690)	-	(138,881)
2017	-	<u>(277,625)</u>	<u>223,956</u>	<u>(53,669)</u>
	<u>238,748</u>	<u>(606,010)</u>	<u>223,956</u>	<u>(143,306)</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. INCOME TAX EXPENSE (CONT'D)

31 December 2016	Balance at 01/01/2016	Payments during the year	Charge for the year	Balance at 31/12/2016
	GH¢	GH¢	GH¢	GH¢
<i>Income tax</i>				
2011- 2013	(3,771)	-	-	(3,771)
2014	158,688	-	-	158,688
2015	(87,978)	-	-	(87,978)
2016	-	(639,142)	810,951	171,809
	<u>66,939</u>	<u>(639,142)</u>	<u>810,951</u>	<u>238,748</u>

(b) Reconciliation of effective tax rate

	2017 %	2017 GH¢	2016 %	2016 GH¢
Profit before tax		<u>659,698</u>		<u>2,059,004</u>
Income tax using domestic tax rate	25.00	164,925	25.00	514,751
Non-deductible expenses	(8.52)	(56,225)	47.98	987,975
Tax exempt income	<u>(0.02)</u>	<u>(150)</u>	<u>13.52</u>	<u>278,324</u>
Tax expenses	<u>16.45</u>	<u>108,550</u>	<u>86.50</u>	<u>1,781,050</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

See accounting policy in Notes 37 (g) (ii), (g) (iii).

	Note	Held-to-maturity GH¢	Loans and receivables GH¢	Other liabilities GH¢	Total carrying amount GH¢	Fair value GH¢
31 December 2017						
Cash and cash equivalents	17	-	31,521,686	-	31,521,686	31,521,686
Investment securities	18	11,891,650	-	-	11,891,650	11,891,650
Loans and advances to customers	20	-	<u>3,067,526</u>	-	<u>3,067,526</u>	<u>3,067,526</u>
Total assets		<u>11,891,650</u>	<u>34,589,212</u>	-	<u>46,480,862</u>	<u>46,480,862</u>
Customers deposits	24	-	-	<u>40,573,593</u>	<u>40,573,593</u>	<u>40,573,593</u>
Total liabilities		-	-	<u>40,573,593</u>	<u>40,573,593</u>	<u>40,573,593</u>
31 December 2016						
Cash and cash equivalents	17	-	26,599,976	-	26,599,976	26,599,976
Investment securities	18	9,754,240	-	-	9,754,240	9,754,240
Loans and advances to customers	20	-	<u>3,039,940</u>	-	<u>3,039,940</u>	<u>3,039,940</u>
Total assets		<u>9,754,240</u>	<u>29,639,916</u>	-	<u>39,394,156</u>	<u>39,394,156</u>
Customers deposits	24	-	-	<u>33,329,680</u>	<u>33,329,680</u>	<u>33,329,680</u>
Total liabilities		-	-	<u>33,329,680</u>	<u>33,329,680</u>	<u>33,329,680</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. CASH AND CASH EQUIVALENTS

	2017	2016
	GH¢	GH¢
See accounting policy in Note 37 (h).		
Cash on hand	666,190	670,203
Balances with other local Banks	25,713,912	20,662,896
Balances with ARB Apex Bank	<u>5,141,584</u>	<u>5,266,877</u>
	<u>31,521,686</u>	<u>26,599,976</u>

Included in balances with other local banks are investment in fixed deposits of GH¢ 21,805,156 (2016: GH¢ 11,987,553) and investment in treasury bills of GH¢ 3,820,466 (2016: GH¢ 8,671,790.)

18. INVESTMENTS SECURITIES - HELD TO MATURITY

See accounting policy in Note 37 (j).

	2017	2016
	GH¢	GH¢
Fixed deposits	11,891,650	9,370,916
Treasury bills	<u>-</u>	<u>383,324</u>
	<u>11,891,650</u>	<u>9,754,240</u>

Treasury bills are issued by the Government of Ghana and are classified as held to maturity and carried at amortised cost. At the reporting date, an amount of GH¢ 11,891,650 (2016: GH¢ 9,754,240) of investment balance was due to mature within the next twelve (12) months.

19. INVESTMENT SECURITIES - AVAILABLE FOR SALE

See accounting policy in Note 37 (g).

	2017	2016
	GH¢	GH¢
ARB Apex Bank shares	<u>137,155</u>	<u>211,313</u>
Reconciliation of investment in ARB Apex bank shares:		
Balance at 1 January	211,313	232,040
Fair value loss	<u>(74,158)</u>	<u>(20,727)</u>
Balance at 31 December	<u>137,155</u>	<u>211,313</u>

The Bank has a total of 56,632 (2016: 56,632) shares in ARB Apex Bank classified as available-for-sale and measured at fair value through other comprehensive income.



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. LOANS AND ADVANCES TO CUSTOMERS

See accounting policy in Note 37 (i).

	2017	2016
	GH¢	GH¢
Loans and advances to customers	4,846,023	4,675,813
Less allowance for impairment	<u>(1,778,497)</u>	<u>(1,635,873)</u>
Loans to customers at amortised cost	<u>3,067,526</u>	<u>3,039,940</u>

(a) Loans and advances to customers

	Gross amount 2017 GH¢	Impairment allowance 2017 GH¢	Carrying amount 2017 GH¢	Gross amount 2016 GH¢	Impairment allowance 2016 GH¢	Carrying amount 2016 GH¢
Term loans	2,345,739	(750,783)	1,594,956	2,492,896	(239,269)	2,253,627
Overdrafts	1,471,254	(974,851)	496,403	1,396,604	(1,396,604)	-
Staff loans	<u>1,029,030</u>	<u>(52,863)</u>	<u>976,167</u>	<u>786,313</u>	-	<u>786,313</u>
Total loans to customers	<u>4,846,023</u>	<u>(1,778,497)</u>	<u>3,067,526</u>	<u>4,675,813</u>	<u>(1,635,873)</u>	<u>3,039,940</u>

(b) Allowance for impairment

	2017 GH¢	2016 GH¢
Specific allowance for impairment		
Balance at the beginning of the year	1,582,967	314,055
Charge for the year	<u>33,763</u>	<u>1,268,912</u>
Balance at 31 December	<u>1,616,730</u>	<u>1,582,967</u>
Collective allowance for impairment		
Balance at the beginning of the year	52,907	282,768
Charge/(credit) for the year	<u>108,860</u>	<u>(229,861)</u>
Balance at 31 December	<u>161,767</u>	<u>52,907</u>
Total allowance for impairment	<u>1,778,497</u>	<u>1,635,874</u>



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. PROPERTY AND EQUIPMENT

See accounting policy in Note 37 (k).

	Land & Building	Furniture, fittings & Equipment	Computers	Motor vehicles	Leasehold improvements	Capital work in progress	Total
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
Cost							
Balances at 1 January 2016 - Restated	2,575,449	753,252	346,695	340,065	135,543	-	4,151,004
Additions	48,088	168,178	40,197	125,191	-	181,361	563,015
Balance at 31 December 2016 - Restated	<u>2,623,537</u>	<u>921,430</u>	<u>386,892</u>	<u>465,256</u>	<u>135,543</u>	<u>181,361</u>	<u>4,714,019</u>
Balance at 1 January 2017 - Restated	2,623,537	921,430	386,892	465,256	135,543	181,361	4,714,019
Additions	-	56,475	144,491	70,257	-	152,874	424,097
Disposals	-	(7,721)	-	(29,980)	-	-	(37,701)
Balance at 31 December 2017	<u>2,623,537</u>	<u>970,184</u>	<u>531,383</u>	<u>505,533</u>	<u>135,543</u>	<u>334,235</u>	<u>5,100,415</u>
Depreciation							
Balance at 1 January 2016	159,144	361,645	339,110	108,516	128,766	-	1,097,181
Depreciation for the year	87,095	128,048	52,859	102,283	-	-	370,285
Balance at 31 December 2016	<u>246,239</u>	<u>489,693</u>	<u>391,969</u>	<u>210,799</u>	<u>128,766</u>	<u>-</u>	<u>1,467,466</u>
Balance at 1 January 2017	246,239	489,693	391,969	210,799	128,766	-	1,467,466
Depreciation for the year	80,913	102,311	52,461	108,918	6,777	-	351,380
Released on disposal	-	(7,721)	-	(29,980)	-	-	(37,701)
Balance at 31 December 2017	<u>327,152</u>	<u>584,283</u>	<u>444,430</u>	<u>289,737</u>	<u>135,543</u>	<u>-</u>	<u>1,781,145</u>
Carrying amounts							
Balance at 1 January 2016	2,416,305	391,607	7,585	231,549	6,777	-	3,053,823
Balance at 31 December 2016	<u>2,377,298</u>	<u>431,737</u>	<u>(5,077)</u>	<u>254,457</u>	<u>6,777</u>	<u>181,361</u>	<u>3,246,553</u>
Balance at 31 December 2017	<u>2,296,385</u>	<u>385,901</u>	<u>86,953</u>	<u>215,796</u>	<u>-</u>	<u>334,235</u>	<u>3,319,270</u>

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2016: Nil).



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. PROPERTY AND EQUIPMENT (CONT'D)

(a) Depreciation expense	2017	2016
	GH¢	GH¢
Property and equipment	<u>351,380</u>	<u>370,285</u>
	<u>351,380</u>	<u>370,285</u>

(b) Gain on disposal of property and equipment	2017	2016
	GH¢	GH¢
Cost	37,701	-
Accumulated depreciation	<u>(37,701)</u>	<u>-</u>
Carrying amount	-	-
Proceeds from disposal	<u>(600)</u>	<u>-</u>
Gain on disposal	<u>(600)</u>	<u>-</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. DEFERRED TAX ASSETS AND LIABILITIES

See accounting policy in Note 37 (f).

Deferred tax assets and liabilities are attributable to the following temporary differences:

	2017			2016			
	Assets GH¢	Liabilities GH¢	Net GH¢	Deferred Tax Asset GH¢	Deferred Tax Liability GH¢	Deferred Tax Liability GH¢	
Property and equipment	-	1,921,844	1,921,844	-	480,461	-	568,654
Employee benefit obligation	(76,177)	-	(76,177)	(19,044)	-	-	-
Allowances for loan losses	(161,767)	-	(161,767)	(40,442)	-	(52,910)	(13,228)
Available-for-sale investments	<u>(74,158)</u>	<u>-</u>	<u>(74,158)</u>	<u>(18,540)</u>	<u>-</u>	<u>71,817</u>	<u>71,817</u>
Net tax (assets)/liabilities	<u>(312,102)</u>	<u>1,921,844</u>	<u>1,609,742</u>	<u>(78,026)</u>	<u>480,461</u>	<u>(52,910)</u>	<u>2,346,433</u>
						<u>2,293,523</u>	<u>(13,228)</u>
							<u>586,608</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. DEFERRED TAX ASSETS AND LIABILITIES (CONT'D)

(a) Movements in temporary differences during the year

	Balance at 1 January	Recogn'd in profit and loss	Recogn'd in other comprehensive income	Balance at 31 December	Deferred Tax Asset	Deferred Tax liability
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
For the year ended 31 December 2017						
Property and equipment	568,654	(88,193)	-	480,461	-	480,461
Employee benefit obligation	-	-	(19,044)	(19,044)	(19,044)	-
Allowances for loan losses	(13,227)	(27,215)	-	(40,442)	(40,442)	-
Available-for-sale investments	<u>17,954</u>	<u>-</u>	<u>(36,494)</u>	<u>(18,540)</u>	<u>(18,540)</u>	<u>-</u>
	<u>573,381</u>	<u>(115,408)</u>	<u>(55,538)</u>	<u>402,435</u>	<u>(78,026)</u>	<u>480,461</u>
For the year ended 31 December 2016						
Property and equipment	172,296	396,358	-	568,654	-	568,654
Employee benefit obligation	-	-	-	-	-	-
Allowance for loan losses	(586,968)	573,741	-	(13,227)	(13,227)	-
Available-for-sale investments	<u>-</u>	<u>-</u>	<u>17,954</u>	<u>17,954</u>	<u>-</u>	<u>17,954</u>
	<u>(414,672)</u>	<u>970,099</u>	<u>17,954</u>	<u>573,381</u>	<u>(13,227)</u>	<u>586,608</u>

Recognition of deferred tax assets

Recognition of deferred tax assets of GH¢ 78,026 (2016: GH¢ 13,227) is based on management's profit forecasts (which are based on the available evidence, including historical levels of profitability), which indicates that it is probable that the Bank will have future taxable profits against which these assets can be utilised.



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. OTHER ASSETS	2017	2016
	GH¢	GH¢
Prepayments	250,439	362,664
Office account	59,180	55,470
Deferred expense*	308,421	626,138
Stationery stock	36,863	35,616
Others	<u>2,641</u>	<u>71,466</u>
	<u>657,544</u>	<u>1,151,354</u>
Current	349,123	525,216
Non-current	<u>308,421</u>	<u>626,138</u>
	<u>657,544</u>	<u>1,151,354</u>

* Deferred expense relates to the difference between the fair value of staff loans and their carrying amount. The fair value was determined by discounting the future cash flows from staff loans at the prevailing market rate.

24. DEPOSITS FROM CUSTOMERS	2017	2016
	GH¢	GH¢
See accounting policy in Note 37 (m).		
Demand deposits	8,338,177	7,627,965
Savings accounts	24,508,390	21,761,662
Fixed term deposits	<u>7,727,026</u>	<u>3,940,053</u>
	<u>40,573,593</u>	<u>33,329,680</u>
Ratio of 20 largest depositors to total deposits	<u>0.47%</u>	<u>0.35%</u>

25. EMPLOYEE BENEFIT LIABILITY

	2017	2016
	GH¢	GH¢
Long service award liabilities	<u>76,178</u>	<u>71,800</u>

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 other comprehensive income in the period in which they arise.

	2017	2016
	GH¢	GH¢
Balance at 1 January	71,800	67,692
Charge to other comprehensive income	36,878	9,108
Payments during the year	<u>(32,500)</u>	<u>(5,000)</u>
	<u>76,178</u>	<u>71,800</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. PROVISIONS

See accounting policy in Note 37 (n).

	2017 GH¢	2016 GH¢
La Township Development Fund	186,076	186,076
La Education Fund	<u>116,828</u>	<u>112,723</u>
	<u>302,904</u>	<u>298,799</u>
Reconciliation of provisions:		
Balance at 1 January	298,799	226,287
Provisions made during the year	50,000	100,000
Payments made during the year	<u>4,105</u>	<u>(27,488)</u>
Balance at 31 December	<u>302,904</u>	<u>298,799</u>
Non-current	-	-
Current	302,904	298,799

27. OTHER LIABILITIES

See accounting policy in Notes 37 (n) and (o).

	2017 GH¢	2016 GH¢
Bills payable	158,225	119,529
Interest payable	103,186	370,240
Dividend payable	987,242	829,285
Office account	105,408	512,414
Deferred grant	16,377	19,106
Others	<u>223,844</u>	<u>30,000</u>
	<u>1,594,282</u>	<u>1,880,574</u>
Current	1,594,282	1,880,574
Non-current	-	-
	<u>1,594,282</u>	<u>1,880,574</u>

28. CAPITAL AND RESERVES

See accounting policy in Note 37 (p)

(a) Share capital

	2017 No. of Shares	2017 Proceeds GH¢	2016 No. of Shares	2016 Proceeds GH¢
Authorised				
Ordinary Shares of no par value	<u>25,000,000</u>	-	<u>25,000,000</u>	-
Issued and fully paid				
Issued for cash consideration	18,182,413	1,527,905	18,182,413	1,527,905
Issued for consideration other than cash	-	-	-	-
	<u>18,182,413</u>	<u>1,527,905</u>	<u>18,182,413</u>	<u>1,527,905</u>
Reconciliation of stated capital				
Balance at 1 January	18,182,413	1,527,905	18,182,413	1,527,905
Shares issued in the year	<u>510,000</u>	<u>510,000</u>	-	-
Balance at 31 December	<u>18,692,413</u>	<u>2,037,905</u>	<u>18,182,413</u>	<u>1,527,905</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. CAPITAL AND RESERVES CONT'D

(b) Reserves

Retained earnings

This represents the residual of cumulative annual profits that are available for distribution to shareholders.

Statutory reserve

This represents amounts set aside as a non-distributable reserve from annual profits in accordance with section 34 of Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and guidelines from Bank of Ghana.

Credit risk reserve

This is a reserve created to set aside the excess of amounts recognized as impairment loss on loans and advances to customers, based on provisions calculated in accordance with the requirements of IFRS and the Bank of Ghana's prudential guidelines.

Available-for-sale reserve

This is a fair value reserve representing the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

29. DIVIDENDS

The Bank declared dividend of GH¢ 373,848 as at the end of the financial year ended 31 December 2017 (2016: 827,299).

30. CONTINGENCIES

(a) Claims and litigations

Litigation and claims involving the Bank amounted to GH¢ Nil as at 31 December 2017 (2016: Nil).

(b) Contingent liabilities and commitments

The conduct of the Bank's business does not involve acceptance and performance bonds and indemnities.

(c) Commitments for capital expenditure

At 31 December 2017, the Bank's commitment for capital expenditure was GH¢ Nil- (2016: GH¢ Nil).



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise influence over the other party in making financial and operational decisions, or one other party controls both.

(a) Majority shareholder

The majority shareholder of the Bank with 15.36% shareholding is La Mansaamo Kpee. During the year ended 31 December 2017, the Bank did not transact any business with La Mansaamo Kpee. There are also no outstanding balances due to or from La Mansaamo Kpee.

(b) Transactions with key management personnel

The Bank's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. The definition of key management includes the close members of family of key personnel and any entity over which key management exercise control. The key management personnel have been identified as the executive and non-executive Directors of the Bank.

Key management personnel have the following outstanding loan balances with the Bank at the reporting period:

	2017	2016
	GH¢	GH¢
Executive officers	87,974	112,584
Officers and other employees	<u>61,333</u>	-
	<u>149,307</u>	<u>112,584</u>

Interest rates charged on balances outstanding to key management personnel are at concessionary rates and lower than the rates that would be charged in an arm's length transaction.

Key Management personnel compensation

	2017	2016
	GH¢	GH¢
Short term benefits	<u>324,787</u>	<u>505,613</u>
	<u>324,787</u>	<u>505,613</u>

32. COMPARATIVE INFORMATION

The comparative information have been reclassified, where applicable, to conform to the current year's presentation.

33. SUBSEQUENT EVENTS

Events subsequent to the reporting date are reflected in the financial statements only to the extent that they relate to the year under consideration and the effect is material. There were no subsequent events between 31 December 2017 and the date of signing these financial statements.



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. CORRECTION OF PRIOR PERIOD ERRORS

In 2016, the Bank recognised fixed deposit investments with maturities of more than three (3) months as cash and cash equivalents. In the same period, the Bank recognised as held to maturity, treasury bills with maturities of less than three (months) instead of reporting them as cash and cash equivalents. Additionally, the Bank incorrectly recorded interest payable on deposits from customers of GHS 370,240 net of interest receivable on held to maturity investments. As a result the cash and cash equivalents balance was overstated (net) by GHS 699,126 and Held to Maturity investments understated by GHS 1,069,366.

The Bank also recognised in the prior period an amount of GHS 130,869 as property and equipment which could not be supported by relevant documentation. As a result, property and equipment and retained earnings were overstated by GHS 130,869.

A description of all other prior period errors have been disclosed in Notes (e) to (k).

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Note	Impact of correction of errors		
		As previously reported GH¢	Adjustments GH¢	As restated GH¢
Assets				
Cash and cash equivalents	(a)	27,299,102	(699,126)	26,599,976
Investment securities - Held to Maturity	(a), (g)	8,684,874	1,069,366	9,754,240
Investment securities - Available for Sale	(b)	232,040	(20,727)	211,313
Loans and advances to customers	(c)	4,289,907	(1,249,967)	3,039,940
Current tax asset		-	-	-
Property and equipment	(d)	3,377,422	(130,869)	3,246,553
Deferred tax assets	(e)	2,342,590	(2,329,362)	13,228
Other assets	(f)	<u>1,205,222</u>	<u>(53,868)</u>	<u>1,151,354</u>
Total assets		<u>47,431,157</u>	<u>(3,414,553)</u>	<u>44,016,604</u>
Liabilities				
Deposits from customers		33,329,680	-	33,329,680
Provisions		298,799	-	298,799
Current tax liabilities		238,748	-	238,748
Deferred tax liabilities		586,609	(1)	586,608
Employee benefit liability		71,801	(1)	71,800
Other liabilities	(g)	<u>1,521,453</u>	<u>359,121</u>	<u>1,880,574</u>
Total liabilities		<u>36,047,090</u>	<u>359,119</u>	<u>36,406,209</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. CORRECTION OF PRIOR PERIOD ERRORS (CONT'D)

Equity		As previously reported	Adjustments	Restated
Stated capital		1,527,905	-	1,527,905
Statutory reserve	(h)	2,494,636	(295,375)	2,199,261
Credit risk reserve	(c)	1,249,967	(1,249,967)	-
Available for sale reserve	(b)	190,636	(20,727)	169,909
Retained earnings	(d), (f), (h)	<u>5,920,923</u>	<u>(2,207,603)</u>	<u>3,713,320</u>
Total Equity		<u>11,384,067</u>	<u>(3,773,672)</u>	<u>7,610,395</u>
Total equity and liabilities		<u>47,431,157</u>	<u>(3,414,553)</u>	<u>44,016,604</u>

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

		Impact of correction of errors		
		As previously reported GH¢	Adjustments GH¢	As restated GH¢
Interest income	(i)	8,004,485	(161,388)	7,843,097
Interest expense		<u>(1,101,915)</u>	-	<u>(1,101,915)</u>
Net interest income		<u>6,902,570</u>	<u>(161,388)</u>	<u>6,741,182</u>
Fee and commission income		541,420	1	541,421
Other operating income	(i), (j)	10,739	150,649	161,388
Other income	(j)	-	21,857	21,857
Net trading and other income		<u>552,159</u>	<u>172,507</u>	<u>724,666</u>
Revenue		7,454,729	11,119	7,465,848
Impairment loss on financial assets		47,101	-	47,101
Personnel expenses		(3,120,298)	9,108	(3,111,190)
Depreciation and amortization		(370,285)	-	(370,285)
Other expenses	(f)	<u>(1,918,604)</u>	<u>(53,866)</u>	<u>(1,972,470)</u>
Profit before income tax		2,092,643	(33,639)	2,059,004
Income tax expense	(e)	<u>548,313</u>	<u>(2,329,363)</u>	<u>(1,781,050)</u>
Profit attributable to equity holders of the Bank		<u>2,640,956</u>	<u>(2,363,002)</u>	<u>277,954</u>



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. CORRECTION OF PRIOR PERIOD ERRORS (CONT'D)

The notes below provide explanations to significant restatements made to the opening balances resulting from the correction of errors:

- (a) The net impact of reclassification of fixed deposit investments amounting to GH¢ 9,370,916 with maturities of more than 3 months from cash and cash equivalents to Investment securities (held to maturity) and investments in treasury bills with maturities of 3 months and less amounting to GH¢ 8,671,790 from Investments securities - Held to maturity to cash and cash equivalents.
- (b) This is to correct the overstatement of equity investments. The total number of shares in ARB Apex Bank per external confirmation received from ARB Apex Bank was 56,623 against 62,187 recorded by the Bank.
- (c) This is to correct understatement of loan impairment provision. An amount of GH¢ 1,249,967 relating to impairment provisions was incorrectly recorded in credit risk reserve.
- (d) Adjustment to correct the overstatement of property and equipment (Land and building, Furniture, fittings and equipment and computer and accessories). These items of property and equipment were duplicates in the Bank's fixed asset register hence could not be supported.
- (e) Reversal of deferred tax asset of GH¢ 2,329,362 recognised in respect of interest in suspense of GH¢ 9,317,448. These are interests suspended as at the reporting date on non-performing loans. This resulted in an overstatement of deferred tax assets and understatement of income tax expense.
- (f) Unsupported rent prepaid of GH¢ 53,866 written off to expense.
- (g) Reclassification of Interest payable on deposits from customers of GH¢ 370,240 netted off against interest receivable from Held to Maturity investments securities. The adjustment also includes overstatement of deferred grant income by GH¢ 11,118 which should be released to profit or loss.
- (h) Overstatement of transfer made from retained earnings to statutory reserve by GH¢ 295,375.
- (i) Reclassification of Commitment and Handling Charges of GH¢ 138,227 and Interest on Nostro Accounts of GH¢ 23,161 previously recorded as part of interest income to Other Operating Income.
- (j) Reclassification of other forms of income (capital grant income, bad debts recovery and gain on PPE disposal) amounting to GH¢ 10,739 from other operating income to other income



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

The Bank's activities expose the business to risks. These risks are managed professionally and in a targeted manner. Key risks arising from core functions are identified and measured to facilitate managing and determining risk positions and capital allocations. The Bank has exposure to the following types of risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks

The Bank continues to assess its overall risk management framework and governance structure. This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

i. *Risk management framework*

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board is responsible for developing and monitoring the Bank's risk management policies over specified areas.

The Bank's risk management policies are established to identify and analyse risks faced by the Bank, set appropriate risks limits and controls and monitor risks and adherence to established policies. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. Through training and setting of standards and procedures, the Bank has developed a disciplined and reasonably effective control environment in which all employees understand their roles and obligations.

The Bank's Board is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Bank.

(b) 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 to customers and investment securities. For risk management reporting purposes, the Bank considers all elements of credit risk exposure.

i. *Settlement risk*

The Bank's activities may give rise to risk at the time of settlement of transactions and trade. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a clearing agent (the Bank's bankers) to ensure that a transaction is settled only when both parties have fulfilled their contractual settlement obligations.



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. FINANCIAL RISK MANAGEMENT (CONT'D)

ii. *Management of credit risk*

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to annual or more frequent review.

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank reviews the acceptability of specific classes of collateral for credit risk mitigation. The principal collateral types for loans are:

- Compulsory savings;
- Mortgages over residential properties; and
- Charges over business assets such as premises, inventory and accounts receivable.

(c) **Liquidity risk**

'Liquidity risk' is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

i. *Management of liquidity risk*

The Bank defines liquidity risks as the risk that the Bank will encounter difficulty meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets. The Bank maintains liquidity limit imposed by its local regulator and the overall liquidity has always been within the regulatory limit of the Regulator. The executive committee of the Board monitors compliance of all branches to ensure that the Bank maintains optimum liquid assets. The Bank aims to be in a position to meet all obligations, repay depositors, fulfil commitments to lend and meet any other commitments.

The executive committee of the Board receives information from branches regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury unit then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities and loans, to ensure that sufficient liquidity is maintained within the Bank.

All liquidity policies and procedures are subject to review and approval by the executive committee of the Board. Daily reports on the liquidity position of the Bank is submitted to senior management and summary report, including any exceptions and remedial action taken, is submitted regularly to the executive committee of the Board on monthly basis.



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

35. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Market risks

'Market risk' is the risk that changes in market prices – such as interest rates, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) – will affect the Bank's income or the value of its holdings of financial instruments. The objective of the Bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Bank's solvency while optimising the return on risk.

i. *Management of market risks*

The Bank recognizes market risk as the exposure created by potential changes in market prices and rates, such as interest rates. The Bank's exposure to market risk arises principally from customer driven transactions. Overall authority for market risk is vested in the executive committee of the Board. The Risk Management unit is responsible for the development of detailed risk management policies (subject to review and approval by the executive committee of the Board) and for the day-to-day review of their implementation.

ii. *Exposure to other market risks – Non-trading portfolios*

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. Risk Management unit is the monitoring body for compliance with these limits and is assisted by Treasury in its day-to-day monitoring activities.

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations. The Bank's objective is to manage operational risk to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

The Bank's Compliance Unit is responsible for establishing and maintaining an appropriate framework of the Bank's compliance policies and procedures. This responsibility is supported by the development of overall Bank standards for the management of operational risk



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ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

36. BASIS OF MEASUREMENT

The financial statements have been prepared on a historical cost basis except for the following item.

Item	Measurement basis
Available-for-sale financial assets	Fair value

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

(a)	Foreign currency transaction	57
(b)	Interest income and expense	57
(c)	Fees and commission income	57
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(e)	Leases	57
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LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Foreign currency transaction

Transactions in foreign currencies are translated into the functional currency using exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are re-translated at closing inter-bank mid rates ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at exchange rates ruling at the dates of initial recognition.

All foreign exchange gains and losses recognized in profit or loss are presented net within the corresponding item.

(b) Interest income and interest expense

Interest income and interest expense are recognized in profit or loss using the effective interest method. The effective interest method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all transaction costs that are an integral part of the effective interest rate.

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.

(c) Fees and commission income

Fees and commission income 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 commission expenses, which relate mainly to transaction and service fees, are expensed as the related services are received.

(d) Capital Grants

Capital grants are recorded in the statement of financial position as deferred liabilities and an amount equal to the depreciation is transferred to the statement of comprehensive income over the useful lives of the assets.

(e) Leases

Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease. When an operating lease is terminated before the lease has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

(f) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income (OCI).

Current tax is the expected tax payable or receivable on taxable income or loss for the year, measured using tax rates enacted or substantively enacted at the balance sheet date. Current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Income tax cont'd

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

In determining the amount of current and deferred tax, the Bank considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

(g) Financial assets and financial liabilities

i. Recognition

The Bank initially recognises loans and advances to customers, deposits from customers, other debt securities and financial liabilities on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

The Bank's financial assets or financial liabilities are measured initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

(ii) Classification

Financial assets

The Bank classifies its financial assets in the following categories: loans and receivables, held to maturity and available-for-sale. Management determines the classification of its financial assets at initial recognition. See Notes (g), (h), (i) and (j).

Financial liabilities

The Bank classifies its financial liabilities as measured at amortised cost. See Notes (i), (j) and (m).



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ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial assets and financial liabilities

(iii) *De-recognition*

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial 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 in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

Financial liabilities

Financial liabilities are derecognized when contractual obligations are discharged, cancelled or expire.

(iv) *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

(v) *Amortised cost measurement*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) *Fair value measurement*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date 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 maximise the use of relevant observable inputs and minimise 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.



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial assets and financial liabilities (cont'd)

(vi) *Fair value measurement*

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.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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.

(vii) *Identification and measurement of impairment*

At each reporting date, the Bank assesses whether there is objective evidence that its financial assets are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Bank considers evidence of impairment for loans and advances to customers and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances to customers and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances to customers and held-to-maturity investment securities with similar risk characteristics.



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial assets and financial liabilities (cont'd)

(vii) *Identification and measurement of impairment* (cont'd)

In assessing collective impairment, the Bank uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. 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 derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised 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 the 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 date using the original effective interest rate of the existing financial asset.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

The Bank writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Bank's Executive Committee of the Board determines that there is no realistic prospect of recovery and approval for write-off is granted by the Central Bank.



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with ARB Apex Bank and highly liquid financial assets with original maturities of three months or less from the acquisition date 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.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) Loans and advances to customers

'Loans and advances to customers' 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 advances to customers are classified as loans and receivables.

Loans and advances to customers are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Loans also include receivables from related parties.

(j) Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as held to maturity or available-for-sale.

i. Held to maturity

'Held to maturity' investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive interest and ability to hold to maturity. The Bank's held to maturity investments include investments in fixed deposits and investments in Government of Ghana treasury bills.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses (See Note (g)(vii)). A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments 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. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the Bank's control that could not have been reasonably anticipated.



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37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Investment securities (cont'd)

ii. Available-for-sale

'Available-for-sale investments' are non-derivative investments that are not classified under the other categories of financial assets. Available-for-sale investments comprise unquoted equity securities. These investments are measured at fair value after initial recognition.

Dividend income is recognised in profit or loss when the Bank becomes entitled to the dividend. Impairment losses are recognised in profit or loss (See Note (g)(vii)).

Fair value changes, other than impairment losses (See Note (g)(vii)), are recognised in OCI and presented in the available-for-sale reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

(k) Property and equipment

i. Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

ii. Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

iii. Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and corresponding periods are as follows:



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Property and equipment (cont'd)

iii. Depreciation

Buildings	25-30 years
Leasehold improvement	over the lease term
Furniture and fittings	3-8 years
Motor vehicles	4-10 years
Office equipment	3-5 years

(l) 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 recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

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

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

(m) Deposits from customers

Deposits from customers are the Bank's sources of funding. Deposits from customers are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(n) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Future operating costs are not provided for.



LA COMMUNITY BANK LIMITED
ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

37. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Employee benefits

i. *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

ii. *Short term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised 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.

iii. *Other long-term employment benefits – Long service award*

Long service awards accrue to employees based on graduated periods of uninterrupted service. These awards accrue over the service life of employees. Provision for long service awards is made based on valuation done using the projected unit credit basis. Gains or losses arising are charged to other comprehensive income.

(p) Stated capital and reserves

i. *Share capital*

The Bank classifies capital and equity instruments in accordance with the contractual terms of the instrument. The Bank's share capital is not redeemable by holders in the normal course of business and bears an entitlement to distributions that is non-cumulative and at the discretion of the Directors. Accordingly, they are presented as a component of issued capital within equity.

ii. *Share issue costs*

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

iii. *Dividend on ordinary shares*

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.



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

38. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 31 December 2017, and have not been applied in preparing these financial statements. The Bank does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Standard/Interpretation	Effective date (periods beginning on or after)
IFRS 9	<i>Financial Instruments</i>
IFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
IFRS 15	Revenue from contracts with customers
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 16	Leases
IFRS 17	Insurance contracts
IFRIC 23	Uncertainty over Income Tax Treatments

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2), *Insurance contracts (IFRS 17)* and *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* are not applicable to the business of the Bank and will therefore have no impact on future financial statements. The Directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard will have a significant impact on the Bank, which will include changes in the measurement bases of the Bank's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Bank.

Classification – Financial Assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.



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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

38. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

IFRS 9 Financial Instruments cont'd

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as at FVTPL:

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

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified into one of these categories on initial recognition.

Business Model assessment:

The Bank will make an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and cost (eg liquidity risk and administrative costs), as well as a profit margin.

In assessing whether contractual cash flows are solely payments of principal and interest, the Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amounts of contractual cash flows such that it would not meet this condition.

Impact Assessment

The Bank is currently assessing the impact of the classification and measurement requirements of the new standard on its portfolio of financial assets. As at the year ended 31 December 2017, the Bank had not completed this assessment hence has not disclosed the impact on the financial statements.



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

38. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

IFRS 9 Financial Instruments cont'd

Impairment – Financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'expected credit loss' model. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments
- Loan commitments and financial guarantee contracts issued (this is not applicable to the company)

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

Impact Assessment

The Bank is currently assessing the impact of the impairment requirements of the new standard on its portfolio of financial assets. As at the year ended 31 December 2017, the Bank had not completed this assessment hence has not disclosed the quantitative impact on the financial statements.

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Impact Assessment

The Bank is currently assessing the impact of the impairment requirements of the new standard on its contracts with customers. As at the year ended 31 December 2017, the company did not complete this assessment hence has not disclosed the quantitative impact on the financial statements.

IFRS 16 Leases

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Bank has begun assessing the potential impact on the financial statements resulting from the application of IFRS 16.



LA COMMUNITY BANK LIMITED ANNUAL REPORTS AND FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

38. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

IFRIC 23 applies for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted. The company is yet to assess the potential impact on the financial statements resulting from the application of this IFRIC.



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APPENDIX

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER

	Note	2017 GH¢	2016 GH¢
Interest earned and other operating income		9,814,046	8,545,906
Direct cost of services and other costs		<u>(4,519,978)</u>	<u>(929,715)</u>
Value added by banking services		5,294,068	7,616,191
Non-banking income		19,934	21,857
Impairments	12	<u>(142,623)</u>	<u>47,101</u>
Value added		<u>5,171,379</u>	<u>7,685,149</u>
Distributed as follows:			
To employees			
Directors (without executive)	14	(212,755)	(172,200)
Executive director		(163,476)	(163,476)
Other employees		<u>(3,784,070)</u>	<u>(2,947,714)</u>
Total		<u>(4,160,301)</u>	<u>(3,283,390)</u>
To Government			
Income tax	15	<u>(108,550)</u>	<u>(1,781,050)</u>
To providers of capital			
Dividends to shareholders		=	=
To expansion and growth			
Depreciation and amortization	21(a)	<u>(351,380)</u>	<u>(370,285)</u>
Retained earnings		<u>(551,148)</u>	<u>(277,954)</u>