Guaranty Trust Bank (Liberia) Ltd

GUARANTY TRUST BANK (LIBERIA) LIMITED
REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2017

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CORPORATE INFORMATION

Board of Directors	Ayodeji Bejide Opral Mason Benson Demola Odeyemi Tayo Asupoto Ernest C.B. Jones Richard Tolbert Dr. Ophelia I. Weeks (Appointed November 22, 2017) Cathy N. Echeozo (Retired November 22, 2017)
Registered Office	Guaranty Trust Bank (Liberia) Ltd. 13th Street, Sinkor Tubman Boulevard P.O. Box 0382 1000 Monrovia 10, Liberia
Solicitors	Sherman & Sherman Law Firm R. Foley Sherman Law Building 17th Street, Sinkor Cheeseman Avenue P. O. Box 10-3218 1000 Monrovia 10, Liberia
Independent auditor	PricewaterhouseCoopers (Liberia) LLC 9th Street, Payne Avenue Sinkor 1000 Monrovia 10, Liberia
Correspondent Banks	Guaranty Trust Bank UK Citi Bank, New York Citi Bank, Europe Bank of Beruit (UK) Limited Central Bank of Liberia Banque de commerce et de placement (BCP)

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report on the affairs of Guaranty Trust Bank (Liberia) Limited, a subsidiary of Guaranty Trust Bank Plc, Nigeria, together with the audited financial statements and the auditor's report for the financial year ended December 31, 2017.

Legal form and principal activity

Guaranty Trust Bank (Liberia) Limited was registered on June 7, 2007 and granted a full operational license on March 6, 2009. The Bank's principal activity remains the provision of commercial Banking services to its customers, such as retail Banking, granting of loans and advances, corporate finance, money market activities and related services, as well as foreign exchange operations.

The Bank is a subsidiary of Guaranty Trust Bank Plc, one of the Banks in Nigeria, quoted on the London Stock Exchange.

GTBank Plc, Nigeria, currently owns 99.43% of the issued share capital of the Bank with some highly reputable Liberians holding 0.57%.

Statement of responsibility of the Board of Directors Regarding the Financial Statements of the Bank

1. The Board has general power to manage the business of the Bank.

2. The Board of Directors is responsible to ensure that the books of accounts of the Bank are kept in a manner suitable for financial reporting and other relevant purposes.

   In particular, the Board has ensured that:

   a. the accounting records of the Bank are satisfactorily maintained and its financial statements presented in accordance with the applicable framework (IFRS)
   b. applicable accounting standards have been followed, subject to any material departures to be disclosed or explained in the financial statements;
   c. the financial statements are prepared on the going-concern basis unless it is inappropriate to presume that the Bank will continue in business.

3. In summary, the Board is responsible to ensure that proper accounting records are kept, which disclose with reasonable accuracy, at any time, the financial position of the Bank. The Board shall also be responsible to put in place the relevant mechanism for safeguarding the assets of the Bank and take reasonable steps for prevention of fraud and other forms of irregularities, and for prompt detection of these if they should nonetheless occur.

4. The Board is also responsible to annually appoint competent auditors to examine the books of the Bank. Such appointment shall, however, be ratified by an affirmative vote of the shareholders at their Annual General Meetings. The Board shall cause to be printed a copy of the auditor's report, together with the relevant financial statements accompanying such report.

5. The Articles of Incorporation of Guaranty Trust Bank (Liberia) Ltd also authorize the Board to appoint members of committees as it may deem necessary; and to delegate to such committees such powers as the Board considers appropriate under the circumstance.

REPORT OF THE DIRECTORS (CONTINUED)

Statement of responsibility of the Board of Directors Regarding the Financial Statements of the Bank (continued)

The above statement of responsibilities of the Board of Directors regarding the conduct of the financial statements of the Bank shall be read in conjunction with the statement of the Auditor's responsibilities set out in the opinion that immediately follows this statement. This is necessary and is being done with the view to distinguishing for the benefit of the shareholders and other users of the accompanying financial statements the respective responsibilities of the Board of Directors and the Auditors in relation to the financial statements of Guaranty Trust Bank (Liberia) Limited.

Changes on the Board

During the period under review, Mrs Cathy N. Echeozo was retired as member of the Board and replaced with Dr Ophelia I. Week, whose appointment was approved by the Central Bank of Liberia on November 22, 2017. Below is a table showing the details of the Board of Directors.

	Name	% of Shares in Banks	Type of Director	E-mail Address	Date Appointed	CBL Approval Date
1.	Opral Mason Benson	0.27	Non-Executive	opralmbenson@gmail.com	January 28, 2009	January 28, 2009
2.	Ophelia I. Weeks	0.00	Non-Executive	oweeks71@gmail.com	November 22, 2017	November 22, 2017
3.	Demola Odeyemi	0.00	Non-Executive	demola.odeyemi@gtBank.com	January 28, 2009	January 28, 009
4.	Tayo Asupoto	0.00	Non-Executive	tayo.asupoto@gtBank.com	April 12, 2012	June 12, 2012
5.	Ernest C.B. Jones	0.00	Independent	ecbjonesjr@yahoo.com	October 12, 2013	December 2, 2013
6.	Richard Tolbert	0.00	Independent	bentol333@yahoo.com	April 1, 2015	May 11, 2015
7.	Ayodeji Bejide	0.00	Managing Director	ayodeji.bejide@gtBank.com	August 5, 2016	August 26, 2016

REPORT OF THE DIRECTORS (CONTINUED)

Operating results

For the financial year ended December 31, 2017

The Bank's Gross earnings increased by 66%. A highlight of the Bank's operating results for the year ended December 31, 2017 is summarized in the below table:

	December 31, 2017	December 31, 2016
	L$ '000	L$ '000
Gross earnings	1,991,538	1,199,373
Profit before tax	587,935	318,830
Tax	138,871	81,224
Assets	13,797,715	10,136,328
Shareholders' Fund	2,036,682	1,710,786
Deposits	10,416,486	7,328,122
Risk assets	9,237,512	4,780,673
ROA	3.25%	2.30%
ROE	22.05%	13.90%
EPS:		
Basic	30	16
Diluted	30	16

Mrs Opral Mason Benson
CHAIRMAN OF THE BOARD

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GUARANTY TRUST BANK (LIBERIA) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Guaranty Trust Bank (Liberia) Limited as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Registered Business Law (2002) and the New Financial Institution Act, 1999.

What we have audited

We have audited the financial statements of Guaranty Trust Bank (Liberia) Limited (the "Bank") for the year ended 31 December 2017.

The financial statements on pages 8 to 98 comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

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

Other information

The directors are responsible for the other information. The other information comprises the Report of the Directors but does not include the separate and consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

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

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

Other information

When we read the Report of the Directors and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 Registered Business Law (2002) and the Financial Institution Act of 1999 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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 the directors;

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Registered Business Law (2002) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

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

ii) The Bank's balance sheet (Bank's statement of financial position) is properly drawn up so as to exhibit a true and fair view of the state of the Bank's affairs according to the best of the information and the explanations given to us, and as shown by the books of the Bank.

PricewaterhouseCoopers
Certified Public Accountants
Monrovia, Liberia
May 11, 2018

pwc

STATEMENT OF FINANCIAL POSITION
(All amounts are in Liberian dollars)

		At December 31	
	Note	**2017**	**2016**
Assets			
Cash and cash equivalents	19	2,096,845,229	3,669,101,651
Derivatives Assets	21	379,249,307	-
Loans and advances to customers	22	9,237,512,332	4,780,673,089
Investment securities:			
- Held to maturity	20	1,058,131,398	756,691,336
Property and Equipment	24	728,639,267	534,481,554
Intangible assets	25	16,720,338	8,733,682
Other assets	26	280,616,795	386,646,591
Total assets		**13,797,714,666**	**10,136,327,903**
Liabilities			
Deposits from customers	27	10,416,486,331	7,328,121,771
Due to banks	28	188,272,500	-
Due to related parties	30	1,230,017	8,368,613
Deferred tax liabilities	29	2,654,173	-
Current income tax liabilities	23	117,243,593	50,743,461
Other liabilities	31	595,429,500	530,699,481
Other borrowed funds	32	439,716,934	507,608,604
Total liabilities		**11,761,033,048**	**8,425,541,930**
Equity			
Share capital	33	1,062,500,000	1,062,500,000
Retained earnings		640,200,733	373,496,795
Other components of equity		333,980,885	274,789,178
Total equity attributable to owners of the Bank		**2,036,681,618**	**1,710,785,973**
Total liabilities and equity		**13,797,714,666**	**10,136,327,903**

The financial statements on pages 9 to 80 were signed on behalf of the Board by:

CHAIRMAN OF THE BOARD

MANAGING DIRECTOR

May 10, 2018

COMPANY SECRETARY

The notes on pages 14 to 80 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in Liberian dollars)

		Year ended December 31	
	Note	**2017**	**2016**
Interest income	6	900,264,417	493,232,145
Interest expense	7	(92,042,505)	(86,322,215)
Net interest income		**808,221,912**	**406,909,930**
Fee and commission income	9	766,209,875	632,175,319
Fee and commission expense	10	(18,824,709)	(15,118,244)
Net fee and commission income		**747,385,166**	**617,057,075**
Net gains on foreign exchange trading	11	4,901,616	12,868,134
Other operating income	12	320,162,069	61,097,587
Other income		**325,063,685**	**73,965,721**
Operating income		**1,880,670,763**	**1,097,932,726**
Personnel expenses	13	(233,335,990)	(211,679,861)
Loan impairment charges	8	(382,501,214)	(22,984,350)
General and administrative expenses	14	(270,482,115)	(205,608,276)
Operating lease expenses	15	(43,244,424)	(30,025,563)
Depreciation and amortization	16	(115,194,395)	(93,202,573)
Other operating expenses	17	(247,977,896)	(215,601,634)
Operating expenses		**(1,292,736,034)**	**(779,102,257)**
Profit before income tax		587,934,729	**318,830,469**
Income tax expense	18	(138,871,273)	(81,224,205)
Profit after income tax		**449,063,456**	**237,606,264**
Other comprehensive income		**-**	-
Total comprehensive income for the year		**449,063,456**	**237,606,264**
Profit attributable to: **Equity holders of the parent entity**			
– Profit for the year		**449,063,456**	**237,606,264**
Earnings per share for profit attributable to the equity holders			

The notes on pages 14 to 80 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
(All amounts are in Liberian dollars)

	Notes	For the year ended December 31 2017	2016
Cash flows from operating activities			
Profit before tax		**587,934,729**	**318,830,469**
Adjustments for			
Depreciation of property and equipment	16	111,112,662	90,522,415
Amortization of Intangibles	16	4,081,733	2,680,159
Gains on disposal of property and equipment	12	(894,670)	(543,481)
Loan impairment charges	8	382,501,214	22,984,350
Net interest income	6	(808,221,912)	(406,909,930)
Foreign exchange gains	12	(291,460,092)	60,554,106
Changes in:			
Loans and advances to customers		(4,456,839,243)	(1,997,570,855)
Derivative asset		(379,249,307)	
Other assets		106,029,796	1,293,308,192
Due to banks		188,272,500	-
Deposits from customers		3,088,364,560	2,038,489,512
Due to intercompany		(7,138,596)	(8,789,899)
Other Liabilities		64,730,019	384,435,881
Interest received	6	720,059,631	430,683,166
Interest paid	7	(80,131,322)	(86,322,215)
Income tax paid		(69,716,969)	(49,949,716)
Net cash (used in)/generated from operating activities		**(840,565,267)**	**2,092,402,154**
Cash flows from investing activities			
Net sale/(purchase) of investment securities	20	(294,588,949)	38,936,820
Purchase of property and equipment	24	(213,283,828)	(297,686,442)
Purchase of intangible assets	25	(10,497,874)	-
Proceeds from the disposal of property and equipment	12	894,670	543,481
Net cash (used in)/generated from investing activities		**(517,475,981)**	**(258,206,141)**
Cash flows from financing activities			
Principal repayment of debt		(62,947,500)	(39,997,711)
Dividends paid to owners		(115,000,000)	**-**
Net cash (used in)/generated from financing activities		**(177,947,500)**	**(39,997,711)**
Net increase /(decrease) in cash and cash equivalents		(1,535,988,748)	1,794,198,302
Cash and cash equivalents at beginning of period		3,669,101,651	1,725,348,805
Effect of exchange rate fluctuations on cash held		(36,267,674)	149,554,544
Cash and cash equivalents at beginning of period	**18**	**2,096,845,229**	**3,669,101,651**

STATEMENT OF CHANGES IN EQUITY
(All amounts are in Liberian dollars)

December 31, 2017	Share capital	Statutory Reserve	Foreign currency translation reserve	Retained earnings	Total
Balance at January 1, 2017	1,062,500,000	120,555,224	154,233,954	373,496,795	1,710,785,973
Profit for the year	-	-	-	449,063,456	449,063,456
Other comprehensive income					
Foreign currency translation difference	-	-	(8,167,811)	-	(8,167,811)
Total other comprehensive income	-	-	**(8,167,811)**	**-**	**(8,167,811)**
Total comprehensive income	-	-	**(8,167,811)**	**449,063,456**	**440,895,645**
Transactions with equity holders, recorded directly in equity:					
Transfer to Statutory reserve	-	67,359,518	-	(67,359,518)	-
Dividend to equity holders	-	-	-	(115,000,000)	(115,000,000)
Total transactions with equity holders	-	**67,359,518**	**-**	**(182,359,518)**	**(115,000,000)**
Balance at December 31 2017	**1,062,500,000**	**187,914,742**	**146,066,143**	**640,200,733**	**2,036,681,618**

The notes on pages 14 to 80 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (continued)
(All amounts are in Liberian dollars)

December 31, 2016	Share capital	Regulatory risk reserve	Statutory Reserve	Foreign currency translation reserve	Retained earnings	Total
Balance at January 1, 2016	1,062,500,000	3,554,074	84,914,284	90,817,024	167,977,397	1,409,762,779
Total comprehensive income for the period:						
Profit for the year	-	-	-	-	237,606,264	237,606,264
Other comprehensive income						
Foreign currency translation difference	-	-	-	63,416,930	-	63,416,930
Total other comprehensive income	**-**	**-**	**-**	**63,416,930**	**-**	**63,416,930**
Total comprehensive income	**-**	**-**	**-**	**63,416,930**	**237,606,264**	**301,023,194**
Transactions with equity holders, recorded directly in equity:						
Transfer to Regulatory Risk reserve		(3,554,074)	-	-	3,554,074	-
Transfer to Statutory reserve	-	-	35,640,940	-	(35,640,940)	-
Total transactions with equity holders	**-**	**(3,554,074)**	**35,640,940**	**-**	**(32,086,866)**	**-**
Balance at December 31, 2016	**1,062,500,000**	**-**	**120,555,224**	**154,233,954**	**373,496,795**	**1,710,785,973**

The notes on pages 14 to 80 are an integral part of these financial statements

NOTES

1. Reporting entity

Guaranty Trust Bank (Liberia) Limited (the Bank) is a limited liability company incorporated and domiciled in Liberia. The address of the Bank's registered office is 13th Street, Sinkor, Tubman Boulevard, P.O. Box 0382, 1000 Monrovia 10, Liberia. The Bank is a subsidiary of Guaranty Trust Bank PLC Nigeria. The Bank operates with a universal Banking license that allows it to undertake all Banking and related services.

2. Significant Accounting Policies

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

2.1 Basis of preparation

The financial statement of the Bank has been prepared in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Financial Institutions Act and Business Association Law of Liberia. These financial statements have been prepared under the historical cost convention unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

2.2 Changes in accounting policies and disclosures

Standards and interpretations issued/amended but not yet effective
The Bank has not applied the following new or amended standards in preparing these financial statements as it plans to adopt these standards at their respective effective dates.
Commentaries on these new standards/amendments are provided below.

IFRS 15 - Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which replaces the existing standard IAS 18 Revenue. IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contract with customers. The standard introduces a new five step model for revenue recognition to be applied to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases. In April 2016, the IASB issued clarity on revenue recognition relating to identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property. There is no material impact arising from the adoption of IFRS 15 as a significant part of the Bank's revenue is outside the scope of the standard. IFRS 15 becomes effective for 1 January 2018.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration
The IFRS Interpretation Committee (IFRIC) of the IASB issued IFRIC 22 which clarifies the date of transaction for the purpose of determining the exchange rate to use on initial recognition of related asset, expense or income, when an entity has received or paid advance consideration in foreign currency. The committee explained that the date of transaction for the purpose of determining exchange rate to use on initial recognition of related asset, expense or income is the date on which an entity initially recognizes the non-monetary assets or non-monetary liabilities arising from the payment or receipt of advance consideration. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. These amendments do not have any material impact on the Bank.

NOTES (continued)

Significant Accounting Policies (continued)

IFRS 9 - Financial instruments
The IASB issued the final version of IFRS 9 Financial Instruments in July 2014 to replace the existing standard IAS 39 Financial Instruments: Recognition and Measurement, effective for periods beginning on or after 1 January 2018. The standard introduces a new approach for classification and measurement, impairment and general hedge accounting requirement. IFRS 9 adopts a principles-based approach to the classification of financial assets considering entity's business model for managing the asset and contractual cash flow characteristics. Based on these principles, financial assets are measured at fair value through profit or loss, fair value through other comprehensive income or amortized cost. For financial liabilities, there is no fundamental change in the classification and measurement model under IFRS 9. However, for financial liabilities designated at fair value through profit or loss, gains or losses attributable to changes in own credit risk will be presented in Other Comprehensive Income. The standard also requires entities to adopt Expected Credit Loss Impairment (ECL) model for all financial assets not measured at fair value through profit or loss. The ECL model assesses changes in credit quality since initial recognition using a three stage approach. The stages are:

- Stage 1 – these are financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk at the reporting date. For these assets, entities are required to recognize a 12 month expected loss allowance on initial recognition. Interest revenue is calculated on the gross carrying amount of the asset

- Stage 2 – these are financial assets that have experienced significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset.
- Stage 3 – these are financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).
- Finally, the hedge accounting provisions of the standard requires entities to align the accounting of hedge relationships more closely with an entity's risk management practices, permits hedge accounting to be applied more broadly to a greater variety of hedging instruments and requires additional disclosures. Hedge accounting requirement aspect of the standard does not apply to the Bank as it does not have any financial instrument that qualifies for measurement in line with the provision.

IFRS 16 – Leases
The IASB issued the new standard for accounting for leases - IFRS 16 Leases in January 2016. The new standard does not significantly change the accounting for leases for lessors. However it requires lessees to recognize most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognized leases, but will have the option not to recognize 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognized leases will be similar to today's finance lease accounting, with interest and depreciation expense recognized separately in the statement of profit or loss.
IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Bank is currently evaluating the impact of this new Standard on its Financial Statements.

2.3 Foreign currency translation
These financial statements are presented in Liberian dollars in accordance with the Financial Institution Act of 1999. Except where indicated, financial information presented in Liberian dollars have been rounded to the nearest unit.

NOTES (continued)

Significant Accounting Policies (continued)

2.3 Foreign currency translation (continued)

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Bank's functional currency is the United States Dollars while the presentation currency is the Liberian Dollars.

(ii) Transactions and balances

Foreign currency transactions that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and loss.

2.4. Interest income and expense

Interest income and expense for all interest bearing financial instruments are recognised in profit and loss within "interest income" and "interest expense" using the effective interest method.
The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, the next re-pricing date) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instruments but not future credit losses.
The calculation of the effective interest rate includes contractual fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.
Interest income and expense presented in the Profit and loss include:

- Interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis.

2.5. Fees and commission

Fees and Commission that are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate. Fees, such as processing and management fees charged for assessing the financial position of the borrower, evaluating and reviewing guarantee, collateral and other security, negotiation of instruments' terms, preparing and processing documentation and finalising the transaction are an integral part of the effective interest rate on a financial asset or liability and are included in the measurement of the effective interest rate of financial assets or liabilities. Other fees and commissions which relates mainly to transaction and service fees, including loan account structuring and service fees, investment management and other fiduciary activity fees, sales commission, placement line fees, syndication fees and guarantee issuance fees are recognised as the related services are provided / performed.

2.6. Net gains/losses on foreign exchange trading

Net gains on foreign exchange trading comprises trading gains and losses related to foreign exchange transactions undertaken on behalf of customers

NOTES (continued)

Significant Accounting Policies (continued)

2.7. Leases

i) Lease payments made

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

ii) Leased assets – lessee

Leases in which the Bank assumes substantially all the risks and rewards incidental to ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases for which a significant portion of the risks and rewards of ownership are retained by another party other than the Bank are operating leases and are not recognised on the Bank's statement of financial position.

2.8 Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognized in equity.

(i) Current income tax

Income tax payable is calculated on the basis of the applicable tax law of the Republic of Liberia and is recognised as an expense for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, deferred tax is charged or credited to other comprehensive income or to equity.

Where the Bank has tax losses that can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position.

The Bank evaluates positions stated in tax returns; ensuring information disclosed are in agreement with the underlying tax liability, which has been adequately provided for in the financial statements.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised. The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets.

NOTES (continued)

Significant accounting policies (continued)

2.9 Financial assets and liabilities

Recognition

The Bank initially recognises loans and advances, deposits, due from Central Bank and due to intercompany on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

Classification

The classification of financial instruments depends on the purpose and management's intention for which the financial instruments were acquired and their characteristics. The Bank's classification of financial assets and liabilities are in accordance with IAS 39.

2.9.1 Financial assets

The Bank classifies its financial assets in the following categories: loans and receivables, held-to-maturity and fair value through profit or loss. The directors determine the classification of its financial assets at initial recognition

(i) Loans and Receivables

Loans and advances 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.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo or stock borrowing"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

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

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the directors have the positive intention and ability to hold to maturity, other than:

(a) those that the Bank upon initial recognition designates as at fair value through profit or loss;
(b) those that the Bank designates as available-for-sale; and
(c) those that meet the definition of loans and receivables.

Held-to-maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

NOTES (continued)

Significant accounting policies (continued)

2.9 Financial assets and liabilities

2.9.1 Financial assets (continued)

(iii) Financial assets at fair value through profit or loss

A financial asset is held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin or if it is part of a portfolio of identified instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The Bank does not have Available for Sale financial assets.

2.9.2 Financial liabilities

The Bank's holding in financial liabilities represents mainly deposits from banks and customers and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

2.9.3 Recognition

The Bank initially recognises loans and advances, deposits; debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument. The Bank uses the trade date accounting for regular way contracts when recording financial asset transactions.

2.9.4 De-recognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Bank enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks or rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions where the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

NOTES (continued)

Significant accounting policies (continued)

2.9 Financial assets and liabilities

2.9.5 Offsetting

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

2.9.6 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or 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.

2.9.7 Determination of fair value

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments, fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the balance sheet.

2.9.8 Identification and measurement of impairment

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

(a) significant financial difficulty of the issuer or obligor;
(b) a breach of contract, such as a default or delinquency in interest or principal payments;
(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(d) it becomes probable that the borrower will enter Bankruptcy or other financial re-organisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or

NOTES (continued)

Significant accounting policies (continued)

2.9 Financial assets and liabilities

2.9.8 Identification and measurement of impairment (continued)

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) National economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by local management for each identified portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted. The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Profit and loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

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

NOTES (continued)

Significant accounting policies (continued)

2.9 Financial assets and liabilities

2.9.8 Identification and measurement of impairment (continued)

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

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

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

2.9.9 Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently premeasured to their fair value at the end of each reporting period.

2.9.10 Classes of financial instruments

The Bank classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table as follows:

NOTES (continued)

Significant accounting policies (continued)

Classes of financial instruments

<table>
<tr><th colspan="2">Category
(as defined by IAS 39)</th><th colspan="2">Class (as determined by the Bank)</th><th>Subclasses</th></tr>
<tr><td rowspan="9">Financial assets</td><td rowspan="7">Loans and receivables</td><td colspan="2">Loans and advances to Banks</td><td></td></tr>
<tr><td rowspan="6">Loans and advances to customers</td><td rowspan="3">Loans to individuals (retail)</td><td>Overdrafts</td></tr>
<tr><td>Term loans</td></tr>
<tr><td>Mortgages</td></tr>
<tr><td rowspan="3">Loans to corporate entities</td><td>Large corporate customers</td></tr>
<tr><td>Small and Medium Enterprises (SMEs)</td></tr>
<tr><td>Others</td></tr>
<tr><td>Held-to-maturity Investments</td><td colspan="2">Investment securities – debt instruments</td><td rowspan="2">Unlisted</td></tr>
<tr><td>Fair value through profit or loss</td><td colspan="2">Derivatives</td></tr>
<tr><td rowspan="4">Financial liabilities</td><td rowspan="4">Amortised cost</td><td colspan="2">Deposits from Banks</td><td></td></tr>
<tr><td rowspan="3">Deposits from customers
Other Borrowed Funds</td><td>Retail customers</td><td></td></tr>
<tr><td>Large corporate customers</td><td></td></tr>
<tr><td>SMEs</td><td></td></tr>
<tr><td rowspan="2">Off-balance sheet financial Instruments</td><td colspan="3">Loan commitments</td><td></td></tr>
<tr><td colspan="3">Guarantees, acceptances and other financial facilities</td><td></td></tr>
</table>

2.10. Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central Banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. They also include overnight borrowings.
Cash and cash equivalents are carried at cost in the statement of financial position.

2.11. Property and equipment

Recognition and measurement

The Bank recognizes items of property and equipment at the time the cost is incurred. These costs include costs incurred initially to acquire or construct an item of property and equipment. This cost also includes the costs of its dismantlement, removal or restoration, the obligation for which an entity incurs as a consequence of using the item during a particular period.

NOTES (continued)

Significant accounting policies (continued)

2.11 Property and equipment

Recognition and measurement (continued)

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. 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 assets' carrying values and useful lives are reviewed, and written down if appropriate, at each date of the Statements of financial position. Assets are impaired whenever events or changes in circumstances indicate that the carrying amount is less than the recoverable amount on impairment of non-financial assets.

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 carrying amount of the replaced part is derecognised. The costs of the day-to- day servicing of property and equipment are recognised in the profit and loss as incurred.

Depreciation

Depreciation is recognised in the profit and loss on a straight-line basis to write down the cost of each asset, to their residual values over the estimated useful lives of each part of an item of property and equipment. Leased assets under finance lease are depreciated over the shorter of the lease term and their useful lives.

Depreciation begins when an asset is available for use and ceases at the earlier of the date that the asset is derecognised.

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

Item of Property and Equipment	Estimated Useful Life
Leasehold improvements	Over the shorter of the useful life of the item or lease term
Premises	50years
Furniture and equipment	5years
Computer equipment	3years
Motor vehicles	4years

Capital work in progress is not depreciated. Upon completion it is transferred to the relevant asset category. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

De-recognition

An item of property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognised.

NOTES (continued)

Significant accounting policies (continued)

2.12. Intangible assets

Software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. Development costs previously expensed cannot be capitalised. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software, if any, is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates (e.g. upgrading or modification cost). All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The maximum useful life of software is five years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

2.13. Impairment of non-financial assets

The carrying amounts of the Bank’s non-financial 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. For goodwill and intangible assets that have indefinite useful lives or that are available for use, the recoverable amount is estimated each year. However, the Bank chooses the cost model measurement to reassess investment property after initial recognition i.e. depreciated cost less any accumulated impairment losses.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the profit and loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

The recoverable amount of an asset or cash-generating unit 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.

NOTES (continued)

Significant accounting policies (continued)

2.14. Impairment of non-financial assets (continued)

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.

2.14. Deposit

Deposits are the Bank's sources of debt funding. When the Bank sells a financial asset and simultaneously enters into a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

2.15. Provisions

A provision is recognized 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.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. The Bank recognizes no provision for future operating losses.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognises any impairment loss on the assets associated with that contract.

2.17 Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees, principally consisting of letters of credit are included within other liabilities.

NOTES (continued)

Significant accounting policies (continued)

2.18 Employee benefits

Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays fixed contributions to a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Termination benefits

Termination benefits are recognised as an expense when the Bank is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Bank has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Short-term employee benefit

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

A liability 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.

2.19. Share capital and reserves

Ordinary shares

Ordinary shares are classified as ‘share capital’ in equity.

Share issue costs

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

Dividend on the Bank’s ordinary shares

Dividends on the Bank’s ordinary shares are recognised in equity when approved by the Bank’s shareholders.

NOTES (continued)

Significant accounting policies (continued)

3. Financial risk management

3.1 Introduction and overview

Guaranty Trust Bank Limited, Liberia has a robust and functional Enterprise-wide Risk Management (ERM) Framework that is responsible for identifying and managing the whole universe of inherent and residual risks facing the Bank. The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks

Other key risks faced by the Bank as a result of its existence and operations include operational risks, settlement risks, reputational and strategy risks.

This note presents information about the Bank's exposure to each of the risks stated above, the Bank's policies and processes for measuring and managing risks, and the Bank's management of capital.

3.2 Risk management philosophy

The risk management philosophy of the Guaranty Trust Bank Limited Liberia is drawn from its mission and vision statements and seeks to achieve maximum optimization of the risk – return trade off, while ensuring strong commitment to the following key indices:

- Excellent service delivery across business segments
- Sound performance reporting (financial and non-financial)
- Sound corporate governance
- Consistent appreciation in shareholders' value.

Guaranty Trust Bank will continue to adhere to the following risk principles to perform consistently on the above stated indices:

- The Bank will not take any action that will compromise its integrity. Sound performance reporting (financial and non-financial).
- The Bank will adhere to the risk management practice of identifying, measuring, controlling and reporting risks.
- Risk control will not constitute an impediment to the achievement of the Bank's Strategic objectives.
- The Bank will always comply with all government regulations and embrace global best practices.
- The Bank will only assume risks that fall within its risk appetite with commensurate returns.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, to monitor risks and adherence to limits. This policy is subject to review at least once a year. More frequent reviews may be conducted in the opinion of the Board, when changes in laws, market conditions or the Bank's activities are material enough to impact on the continued adoption of existing policies. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

NOTES (continued)

3. Financial risk management (continued)

3.3 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework via its committees – The Board Risk Committee, Board Credit Committee, and Board Audit Committee. These committees are responsible for developing and monitoring risk policies in their specified areas and report regularly to the Board of Directors on their activities. All Board committees have both executive and non-executive members.

The Board Committees are assisted by the various Management Committees in identifying and assessing risks arising from day to day activities of the Bank. These committees are:

- The Management Credit Committee
- Criticized Assets Committee
- Asset and Liability Management Committee (ALMAC)
- Other Ad-hoc Committees

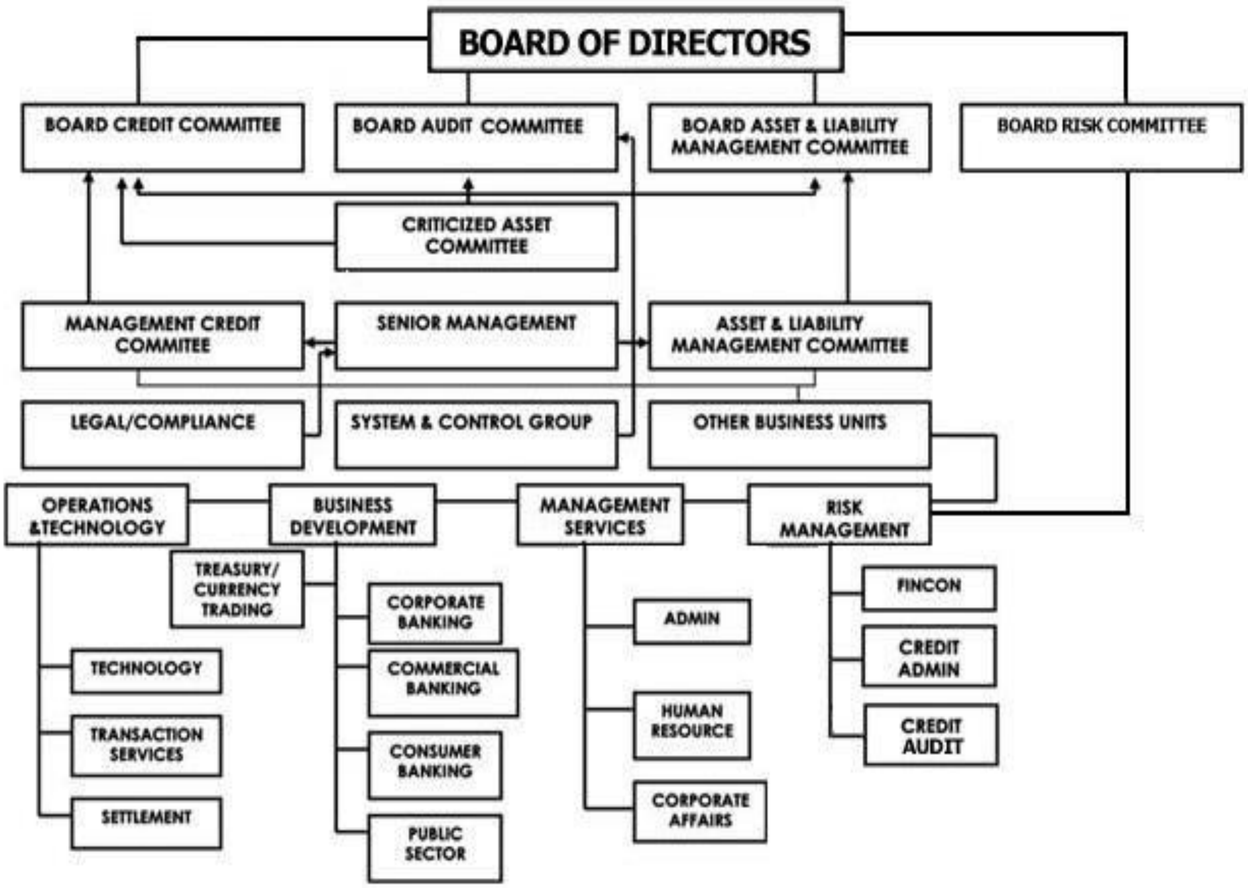
These committees meet on a regular basis while others are set up on an ad-hoc basis as dictated by the circumstances.

The Bank's Audit Committee is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Bank. The Audit Committee is assisted by the Internal Audit department, in carrying out these functions. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

NOTES (continued)

3.3 Risk management framework (continued)

The Risk Management Organogram of the Bank is as follows:



The Board Risk Committee is responsible for reviewing and recommending risk management policies, procedures and profiles including risk philosophy, risk appetite and risk tolerance of the Bank. The oversight functions cut across all risk areas. The committee monitors the Bank's plans and progress towards meeting regulatory Risk-Based Supervision requirements nas well as the overall Regulatory and Economic Capital Adequacy.

The Bank's Board of Directors has delegated responsibility for the management of credit risk to the Board Credit Committee. The Board Credit Committee considers and approves all lending exposures, including treasury investment exposures, as well as insider-related credits in excess of limits assigned to the **Management Credit Committee** by the Board. Management Credit Committee formulates credit policies in consultation with business units, covering credit assessment, risk grading and reporting, collateral, regulatory and statutory requirements. The committee also assesses and approves all credit exposures in excess of the Managing Director's limit as approved by the Board.

NOTES (continued)

3.3 Risk management framework (continued)

The **Asset & Liability Management Committee** establishes the Bank's standards and policies covering the various components of Market and Liquidity Risks. These include issues on Interest Rate Risk, Liquidity Risk, Investment Risk and Trading Risk. It ensures that the authority delegated by the Board and **Management Risk Committees** with regard to Market Risk is exercised, and that Market Risk exposures are monitored and managed. Furthermore, the Committee limits and monitors the potential impact of specific pre-defined market movements on the comprehensive income of the Bank through stress tests and simulations.

The **Credit Risk Management Group** is responsible for identifying, controlling, monitoring and reporting credit risk related issues. The Head of Credit Administration (CAD) of the Bank also serves as the secretariat for the **Management Credit Committee**. Credit risk is the most critical risk for the Bank as credit exposures, arising from lending activities account for the major portion of the Bank's assets and source of its revenue. Thus, the Bank ensures that credit risk related exposures are properly monitored, managed and controlled. The **Credit Risk Management** Group is responsible for managing the credit exposures, which arise as a result of the lending and investment activities as well other unfunded credit exposures that have default probabilities; such as contingent liabilities.
Risk management methodology

The Bank recognizes that it is in the business of managing risks to derive optimal satisfaction for all stakeholders. It has therefore, over the years detailed its approach to risk management through various policies and procedures, which include the following:

- ERM Policy
- Credit Policy Guide
- Human Resources Policy Manual
- Standard Operating Procedures
- IT Policy
- BCP

To ensure adherence to the policies and procedures, several exception reports on customers and activities of the Bank are generated by the various audit control units for management's decision making. These include:

- Monthly Management Profitability Reports (MPR) for the marketing teams
- Monthly Operations Performance Reports (OPR) for the support teams
- Quarterly Business Profitability Review
- Annual Bank-wide performance appraisal systems
- Criticized Asset Committee Report
- Monthly Expense Control Monitoring Report

Risk management overview

The Bank operates a functional Enterprise-wide Risk Management (ERM) Division that manages all aspects of risk including threats and opportunities. The risk management infrastructure therefore encompasses a comprehensive and integrated approach to identifying, managing and reporting:

(i) the 3 main inherent risk groups –Credit, Market/Liquidity and Operational;
(ii) additional core risks such as Reputation and Strategy risks.

NOTES (continued)

3.3 Risk management framework (continued)

Risk management overview (continued)

In addition to this, in compliance with the Central Bank of Liberia's 'Risk-based Supervision' guidelines, we are in the process of incorporating a strategic framework for efficient measurement and management of the Bank's risks and capital. We are also putting in place other qualitative and quantitative measures that will assist with enhancing risk management processes and creating a platform for more risk-adjusted decision-making.

3.4 Credit risk

Lending and other financial activities form the core business of the Bank. The Bank recognises this and has laid great emphasis on effective management of its exposure to credit risk. The Bank defines credit risk as the risk of counterparty's failure to meet the terms of any lending contracts with the Bank or otherwise to perform as agreed. Credit risk arises anytime the Bank's funds are extended, committed, invested or otherwise exposed through actual or implied contractual agreements.
The Bank's specific credit risk objectives, as contained in the Credit Risk Management Framework, are:

- Maintenance of an efficient loan portfolio
- Institutionalization of sound credit culture in the Bank
- Adoption of international best practices in credit risk management
- Development of Credit Risk Management professionals.

Each business unit is required to implement credit policies and procedures in line with the credit approval authorities granted by the Board. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolio, including those subject to Management Credit Committee's approval.
The Internal Audit and Credit Administration units respectively undertake regular audits of business units and credit quality reviews.

The Bank continues to focus attention on intrinsic and concentration risks inherent in its business in order to manage its portfolio risk. It sets portfolio concentration limits that are measured under the following parameters: concentration limits per obligor, business lines, industry, sector, rating grade and geographical area. Sector limits reflect the risk appetite of the Bank.

The Bank drives the credit risk management processes using appropriate technology to achieve global best practices.

For risk management purposes, credit risk arising on trading securities is managed independently, but reported as a component of market risk exposure.

NOTES (continued)

3.4 Credit risk (continued)

3.4.1 Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee. The Board Credit committee is responsible for oversight of the Bank's credit risk, including:

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated to the Management Credit Committee, Deputy Managing Director, Managing Director and the Board Credit Committee/Board of Directors as appropriate.

- *Reviewing and assessing credit risk.* Management Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

- *Developing and maintaining the Bank's risk grading* in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for approving the risk grades lies with the Board Credit Committee. The risk grades are subject to regular reviews by the Risk Management Group.

- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Risk Management Group on the credit quality of local portfolios and appropriate corrective action is taken.

- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Bank in the management of credit risk.

There were no changes in the Bank's risk management policies. Each business unit is required to implement Group credit policies and procedures, with credit approval authorised by the Board Credit Committee.

3.4.2 Credit risk measurement

In line with IAS 39, the Bank adopted incurred loss approach and intends to migrate to the expected loss approach outlined under IFRS 9. The incurred loss approach takes into consideration the emergence period (EP) to arrive at losses that have been incurred at the reporting date.

The Bank undertakes lending activities after careful analysis of the borrowers' character, capacity to repay, cash flow, credit history, industry and other factors. The Bank acknowledges that there are diverse intrinsic risks inherent in its different business segments and, as a result, applies different parameters to adequately dimension the risks in each business segment.

NOTES (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk measurement (continued)

The Bank's rating grades reflect the range of parameters developed to predict the default probabilities of each rating class in line with international best practices. The grades reflect granularities and are handled by Account Officers and Relationship Managers with further check by Credit Risk Analysis Unit in Credit Risk Management Group.

Rating Grade	Description	Characteristics
1 (AAA)	Exceptional Credit	• Exceptional credit quality • Obligors with overwhelming capacity to meet obligation • Top multinationals / corporations • Good track record • Strong brand name • Strong equity and assets • Strong cash flows • Full cash coverage
2 (AA)	Superior Credit	• Very high credit quality • Exceptionally high cash flow coverage (historical and projected) • Very strong balance sheets with high liquid assets • Excellent asset quality • Access to global capital markets • Typically large national corporate in stable industries and with significant market share
3 (A)	Minimal Risk	• High quality borrowers • Good asset quality and liquidity position • Strong debt repayment capacity and coverage • Very good management • Though credit fundamentals are strong, it may suffer some temporary setback if any of them are adversely affected • Typically in stable industries
4 (BBB)	Above Average	• Good asset quality and liquidity • Very good debt capacity but smaller margins of debt service coverage • Good management in key areas • Temporary difficulties can be overcome to meet debt obligations • Good management but depth may be an issue • Good character of owner • Typically good companies in cyclical industries

NOTES (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk measurement (continued)

Rating Grade	Description	Characteristics
5 (BB)	Average	• Satisfactory asset quality and liquidity • Good debt capacity but smaller margins of debt service coverage • Reasonable management in key areas • Temporary difficulties can be overcome to meet debt obligations • Good management but depth may be an issue • Satisfactory character of owner • Typically good companies in cyclical industries
6 (B)	Acceptable Risk	• Limited debt capacity and modest debt service coverage • Could be currently performing but susceptible to poor industry conditions and operational difficulties • Declining collateral quality • Management and owners are good or passable • Typically borrowers in declining markets or with small market share and operating in cyclical industries
7 (CCC)	Watch-list	- Eliciting signs of deterioration as a result of well-defined weaknesses that may impair repayment - Typically start- ups / declining markets/deteriorating industries with high industry risk - Financial fundamentals below average - Weak management • Poor information disclosure
8 (CC)	Substandard Risk	• Well-defined weaknesses though significant loss unlikely; orderly liquidation of debt under threat • Continued strength is on collateral or residual repayment capacity of obligor • Partial losses of principal and interest possible if weaknesses are not promptly rectified - Questionable management skills
9 (C)	Doubtful Risk	• High probability of partial loss • Very weak credit fundamentals which make full debt repayment in serious doubt • Factors exist that may mitigate the potential loss but await appropriate time to determine final status - Demonstrable management weaknesses, poor repayment weaknesses and poor repayment profile
10 (D)	Lost	• A definite loss of principal and interest • Lack of capacity to repay unsecured debt • Bleak economic prospects - Though it is still possible to recover sometime in the future, it is imprudent to defer write - offs

NOTES (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk measurement (continued)

Models have been used to estimate the amount of credit exposures, as the value of a product varies with changes in market variables, expected cash flows and time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between parties.

Ratings and scoring models are in use for all key credit portfolios and form the basis for measuring default risks.

In measuring credit risk of loans and advances at a counterparty level, the Bank considers three components:

i. The ‘probability of default’ (PD)
ii. Exposures to the counterparty and its likely future development, from which the Bank derive the ‘exposure at default’ (EAD); and
iii. The likely recovery ratio on the defaulted obligations (the ‘loss given default’) (LGD).

The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

i. Probability of Default (PD)

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally. This combines statistical analysis with credit officer judgment.

The rating template combines both qualitative and quantitative factors to arrive at a rating which is comparable to internationally available standards.

The rating methods are subject to an annual validation and recalibration so that they reflect the latest projection in the light of all actually observed defaults.

ii. Exposure at Default (EAD)

EAD is the amount the Bank expects to be owed at the time of default or reporting date. For a loan, this is the face value (principal plus interest). For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

iii. Loss Given Default (LGD)

Loss given default represents the Bank’s expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

NOTES (continued)

3.4 Credit risk (continued)

3.4.3 Risk Limit Control and Mitigation Policies

(i) Lending limits

The Bank applies limits to control credit risk concentration and diversification of its risk assets portfolio. The Bank maintains limits for individual borrowers and groups of related borrowers, business lines, rating grade and geographical area.

The Bank adopted obligor limits as set by the regulators and it is currently at 20% of the Bank's shareholders' funds. The obligor limit covers exposures to counterparties and related parties.
Although the Bank is guided by this regulatory limit, we apply additional parameters internally in determining the suitable limits that an individual borrower should have. These include: obligor rating, position in the industry and perceived requirements of key players (e.g. import finance limit may be determined by the customer's import cycle and volume during each cycle), financial analysis, etc.

The Bank imposes industry/economic sector limits to guide against concentration risk as a result of exposures to sets of counterparties operating in a particular industry. The industry limits are arrived at after rigorous analysis of the risks inherent in the industry/economic sectors.

The limits are usually recommended by the Bank's Board Credit Committee and approved by the Board. The limits set for each industry or economic sector depend on the historical performance of the sector as well as the intelligence report on the outlook of the sector. During the period, limits can be realigned (by way of outright removal, reduction or increase) to meet the exigencies of the prevailing macroeconomic events.

The Bank also sets internal credit approval limits for various levels of officers in the credit process. Approval decisions are guided by the Bank's strategic focus as well as the stated risk appetite and the other limits established by the board or regulatory authorities such as Aggregate Large Exposure Limits, Single Obligor Limits, and Geographical Limits, Industry / Economic sector limits etc.

The lending authority in the Bank flows through the management hierarchy with the final authority residing with the Board of Directors as indicated below:

Designation	**Limit**
Board of Directors	Up to the single obligor limit as advised by the regulatory authorities from time to time but currently put at 20% of shareholders' funds (total equity)
Management Credit Committee	Up to US$250,000Thousand (LD$18,000,000)
MD/DMD	Up to US$150,000 Thousand (LD$10,800,000)
Other Approving Officers	As delegated by the Managing Director
Board of Directors	Up to the single obligor limit as advised by the regulatory Authorities from authorities from time to time but currently put at 20% of shareholders' funds (total equity)

NOTES (continued)

3.4 Credit risk (continued)

3.4.3 Risk Limit Control and Mitigation Policies (continued)

(i) Lending limits (continued)

The lending authority limits are subject to the following overriding approvals:

The deposit required for all cash collateralized facilities (with the exception of bonds, guarantees and indemnities) must be 125% of the facility amount to provide a cushion for interest and other charges.

(ii) Collateral policies

The Bank ensures that each credit is reviewed and granted based on the strength of the borrowers' cash flow. However, the Bank also ensures its credit facilities are well secured as a second way out strategy. The policies that guide collateral for facilities are embedded within the Bank's Credit Policy Guide. These include the following policy statements amongst others:

i. Loans to individuals or sole proprietors must be secured by tangible, marketable collateral that has a market value that is supported by a valuation report from a registered estate valuer who is acceptable to the Bank. The collateral must also be easy to check and easy to dispose of. This collateral must be in the possession of, or pledged to the Bank
ii. Client's account balances must be within the scope of cover provided by its collateral.
iii. All collateral offered must have the following attributes:

    - There must be good legal title
    - The title must be easy to transfer
    - It should be easy and relatively cheap to value
    - The value should be appreciating or at least stable
    - The security must be easy to sell

All collateral must be fully insured. Exceptions include cash collateral, securities in safe keeping, indemnity or guarantees, or where our interest is general (for instance in a negative pledge). The insurance policy has to be issued by an insurer acceptable to the Bank.

The main collateral types acceptable to the Bank for loans and advances include:

(i) Mortgages over residential properties
(ii) Charges over business premises, fixed and floating assets as well as inventory.
(iii) Charges over financial instruments such as equities, treasury bills etc.

The Bank ensures that other financial assets, aside from loans and advances, such as Bank placements, are secured.

NOTES (continued)

3.4 Credit risk (continued)

3.4.3 Risk Limit Control and Mitigation Policies (continued)

(iii) Master Netting Arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. The right to set off is triggered at default. By so doing, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on non-derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

Off-balance sheet engagements

These instruments are contingent in nature and carry the same credit risk as loans and advances. As a policy, the Bank ensures that all its off-balance sheet exposures are subjected to the same rigorous credit analysis, like that of the on-balance sheet exposures, before availment. The major off-balance sheet items in the Bank's books are Bonds and Guarantees, which the Bank will only issue where it has full cash collateral or a counter indemnity from a first class Bank, or another acceptable security.

Contingencies

Contingent assets which include transaction related bonds and guarantees, letters of credit and short term foreign currency related transactions, are not recognized in the annual financial statements but are disclosed when, as a result of past events, it is highly likely that economic benefits will flow to the Bank, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Bank's control.

Contingent liabilities include transaction related bonds and guarantees, letters of credit and short term foreign currency related transactions. Contingent liabilities are not recognized in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are remote.

The Bank had certain legal cases pending before the courts at December 31, 2017. In the opinion of the directors, after taking appropriate legal advice, the outcome of these legal cases will not give rise to a significant loss to the Bank.

Placements

The Bank has placement lines for its Bank counterparties. The lines cover the settlement risks inherent in our activities with these counterparties. The limits are arrived at after conducting fundamental analysis of the counterparties, presentation of findings to, and approval by the Bank's Management Credit Committee. The lines are monitored by Credit Risk Management Group.

NOTES (continued)
(All amounts are in Liberian dollars)

3.4 Credit risk (continued)

3.4.4 Credit risk exposure

The maximum exposure to credit risk before collateral held and other credit enhancements in respect of loans and advances to customers are:

(i) Credit risk exposure relating to On-Balance Sheet

Credit risk exposures relating to on-balance sheet assets are as follows:

	Maximum exposure	
	December 2017	**December -2016**
Classification		
Cash and cash equivalents:		
- Balances held with other Banks	345,577,763	1,362,870,853
- Unrestricted balances with Central Banks	1,370,291,652	1,895,231,424
- Money market placements	-	410,999,374
Investment securities:		
- GOL Treasury bills	134,928,612	105,062,499
- Government Bond	923,202,786	651,628,837
Loans and advances to customers:	-	-
- Loans to individuals	4,692,813,744	2,180,690,232
- Loans to non-individuals	4,544,698,588	2,599,982,857
Other assets[1]	33,265,225	181,440,924
Total	**12,044,778,370**	**9,387,907,000**
Loans exposure to total exposure	77%	53%
Other exposure to total exposure	23%	47%

[1] Balances included in Other Assets above are those subject to credit risks. Items not subject to credit risk, which include Prepayment Stock/Stationery and Prepaid benefit on employees' loan, have been excluded.

NOTES (continued)
(All amounts are in Liberian dollars)

3.4 Credit risk (continued)

3.4.4 Credit risk exposure (continued)

(i) Credit risk exposure relating to On-Balance Sheet (continued)

The table above shows a worst-case scenario of credit risk exposure to the Bank as at 31 December 2017 and 31 December 2016 without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on amounts reported in the statements of financial position.

Loans and advances to customers is analyzed below:

	December 2017	December 2016
Loans to individuals:		
Overdraft	1,267,059,711	588,786,363
Loans	3,425,754,033	1,591,903,869
	4,692,813,744	**2,180,690,232**
Loans to non-individuals:		
Overdraft	1,590,644,506	909,993,943
Loans	2,954,054,082	1,689,988,914
	4,544,698,588	**2,599,982,857**
TOTAL	**9,237,512,332**	**4,780,673,089**

(ii) Credit risk exposure relating to Off-Balance Sheet

Credit risk exposures relating to off-balance sheet items are as follows:

	Maximum exposure	
	December 2017	December 2016
Financial guarantees	159,605	217,117,469
Other contingents	1,040,669,353	1,419,962,943
	1,040,828,958	**1,637,080,412**

NOTES (continued)
(All amounts are in Liberian dollars)

3.4 Credit risk (continued)

3.4.4 Credit risk exposure (continued)

Concentration of risks of financial assets with credit risk exposure

Geographical region

The following table breaks down the Bank's credit exposure (without taking into account any collateral held or other credit support), as categorized by geographical region as at the reporting date. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

Credit risk exposure relating to On-Balance Sheet

December 2017	Liberia	Outside Africa	Total
Classification			
Cash and cash equivalents:			
- Balances held with other Banks	-	345,577,763	345,577,763
- Unrestricted balances with Central Banks	1,370,291,652	-	1,370,291,652
Investment securities:			
- GOL Treasury bills	134,928,612	-	134,928,612
- Government Bond	923,202,786	-	923,202,786
Loans and advances to customers:			
- Loans to individuals	4,692,813,744	-	4,692,813,744
- Loans to non-individuals	4,544,698,588	-	4,544,698,588
Other assets[1]	33,265,225	-	33,265,225
Total	**11,699,200,607**	**345,577,763**	**12,044,778,370**

[1] Balances included in Other Assets above are those subject to credit risks. Items not subject to credit risk, which include Stock/Stationery and Prepaid benefit on employees' loan have been excluded.

NOTES (continued)
(All amounts are in Liberian dollars)

3.4 Credit risk (continued)

3.4.4 Credit risk exposure (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

Geographical region (continued)

Loans and advances to customers is analyzed below:

December 2017	Liberia	Outside Africa	Total
Loans to individuals:			
Overdraft	1,267,059,711	-	1,267,059,711
Loans	3,425,754,033	-	3,425,754,033
	4,692,813,744		**4,692,813,744**
Loans to non-individuals:			
Overdraft	1,590,644,506	-	1,590,644,506
Loans	2,954,054,082	-	2,954,054,082
	4,544,698,588		**4,544,698,588**

December 2016	Liberia	Rest of Africa	Outside Africa	Total
Classification				
Cash and cash equivalents:				
- Balances held with other Banks	-	-	994,892,581	994,892,581
- Unrestricted balances with Central Banks	1,895,231,424	-	-	1,895,231,424
- Money market placements	-	410,999,375	-	410,999,375
Investment securities:				
- GOL Treasury bills	105,062,499	-	-	105,062,499
- Government Bond	651,628,837	-	-	651,628,837
Loans and advances to customers:				
- Loans to individuals	2,180,690,188	-	-	2,180,690,188
- Loans to non-individuals	2,599,982,901	-	-	2,599,982,901
Other assets[1]	177,451,627	-	3,989,297	181,440,924
Total	**7,610,047,476**	**410,999,375**	**998,881,878**	**9,019,928,729**

[1] Balances included in Other Assets above are those subject to credit risks. Items not subject to credit risk, which include Stock/Stationery and Prepaid benefit on employees' loan have been excluded.

NOTES (continued)
(All amounts are in Liberian dollars)

3.4 Credit risk (continued)

3.4.4 Credit risk exposure (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

Credit risk exposure relating to On-Balance Sheet (continued)

December 2916	Liberia	Outside Africa	Total
Loans to individuals:			
Overdraft	588,786,363	-	588,786,363
Loans	1,591,903,869	-	1,591,903,869
	2,180,690,232		**2,180,690,232**
Loans to non-individuals:			-
Overdraft	909,993,943	-	909,993,943
Loans	1,689,988,914	-	1,689,988,914
	2,599,982,857		**2,599,982,857**

Credit risk exposure relating to Off-Balance Sheet

Credit Risk Exposure relating to off-balance sheet items are as follows:

December 2017	Liberia	Outside Africa	Total
Financial guarantees	159,605	-	159,605
Other contingents	1,040,669,353	-	1,040,669,353
	1,040,828,958	-	**1,040,828,958**

December 2016	Liberia	Outside Africa	Total
Financial guarantees	217,117,469	-	217,117,469
Other contingents	1,419,962,943	-	1,419,962,943
	1,637,080,412	**-**	**1,637,080,412**

NOTES (continued)
(All amounts are in Liberian dollars)

3.4 Credit risk (continued)

(i) Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These are loans and securities specifically impaired and are graded 8 to 10 in the Bank's internal credit risk grading system.

(ii) Past due but not impaired loans

Loans and securities where 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 / collateral available and / or the stage of collection of amounts owed to the Bank.

(iii) Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring or as prescribed by the regulations.

(iv) Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance, established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

(v) Write-off policy

The Bank writes off a loan / security balance (and any related allowances for impairment losses) when Management Credit Committee determines that the loans / securities are uncollectible.
This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge off decisions are generally based on a product specific past due status.

NOTES (continued)
(All amounts are in Liberian dollars)

3.4 Credit risk (continued)

3.4.5. Loans and advances

All loans and advances are categorized as follows:

1. **Neither past due nor impaired:**

   These are loans and advances where contractual interest or principal payments are not past due. These loans and advances belong to the investment grade (rating grades 1 – 3).

2. **Past due but not impaired:**

   These are loans and advances where contractual interest or principal payments are past due but individually assessed as not being impaired. The Bank believes that impairment is not appropriate on the basis of the level of receivable/security/collateral available and/or the stage of collection of amounts owed to the Bank.

3. **Individually impaired:**

   Individually impaired are loans and advances for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/advance agreement(s). These are loans and advances specifically impaired and are graded 8 to 10 in the Bank's internal credit risk grading system.

4. **Collectively impaired:**

   Collectively impaired are portfolios of homogenous loans and advances where contractual interest or principal payments are not past due, but have been assessed for impairment by the Bank. These loans are graded 4 to 7 in the Bank's internal credit grading system.

NOTES (continued)
(All amounts are in Liberian dollars)

3.4 Credit risk (continued)

3.4.5 Loans and advances

Loans and advances are summarized as follows:

In Liberian dollars	**December 2017**	**December 2016**
Neither past due nor impaired	4,975,532,083	3,956,998,868
Past due but not impaired	1,007,122,193	341,614,671
Individually impaired	848,890,955	312,786,745
Collectively Impaired	2,993,755,673	304,068,608
Gross	**9,825,300,904**	**4,915,468,892**
Less allowances for impairment:		
Individually impaired	552,182,156	90,438,415
Portfolio allowance	35,606,416	44,357,388
Total allowance	**587,788,572**	**134,795,803**
Net Loans and Advances	**9,237,512,332**	**4,780,673,089**

i. **Loans and advances neither past due nor impaired.**

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

December 2017	**Overdraft**	**Loans**	**Total**
Rating			
Very strong Capacity	1,982,185,346	1,848,039,256	3,830,224,602
Strong Repayment Capacity	37,412,884	1,107,894,597	1,145,307,481
	2,019,598,229	**2,955,933,853**	**4,975,532,082**

December 2016	**Overdraft**	**Loans**	**Total**
Rating			
Exceptional Capacity	147,617,630	246,640,625	394,258,255
Very strong Capacity	201,055,082	416,216,420	617,271,503
Strong Repayment Capacity	946,003,558	1,999,465,553	2,945,469,110
	1,294,676,270	**2,662,322,598**	**3,956,998,868**

NOTES (continued)
(All amounts are in Liberian dollars)

3.4 Credit risk (continued)

3.4.5 Loans and advances (continued)

(i) Loans and advances past due but not impaired

Clearing check, late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

December 2017

Age	
0 – 90 days	122,312,987
91 – 180 days	-
181 – 365 days	888,809,206
	1,011,122,193
FV of collateral	**1,473,797,130**
Amount of under collateralization	**-**

December 2016

Age	
0 – 90 days	131,644,447
91 – 180 days	77,186,088
181 – 365 days	132,784,136
	341,614,671
FV of collateral	**913,308,046**
Amount of under collateralization	**-**

iii. Loans and advances individually impaired

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

December 2017

Gross amount	848,890,955
Impairment	(552,182,156)
Net Amount	296,708,799
FV of collateral	**373,839,524**
Amount of under collateralization	-

NOTES (continued)
(All amounts are in Liberian dollars)

3.4 Credit risk (continued)

3.4.5 Loans and advances (continued)

December 31, 2016

Gross amount	312,786,745
Impairment	(90,438,415)
Net Amount	222,348,330
FV of collateral	8,861,803,038
Amount of under collateralization	**-**

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is assessed by reference to market price or indexes of similar assets.

iv. Under collateralization of individual loans against gross loans is shown below:

	December 2017	December 2016
Collectively impaired		
Gross loans	2,993,755,673	304,068,608
Collateral	3,995,987,417	1,071,863,838
Under collateralization	**-**	**-**

Summary of collaterals pledged against loans and advances

An estimate of the fair value of any collateral and other security enhancements held against loans and advances is shown below:

December 2017	Gross Loans	Collateral
Against neither past due nor impaired	4,975,532,083	12,462,561,452
Against past due but not impaired	1,007,122,193	1,916,832,070
Against individually impaired	848,890,955	1,528,898,215
Against collectively impaired	2,993,755,673	3,276,596,563
Total	**9,825,300,904**	**19,184,888,299**

NOTES (continued)
(All amounts are in Liberian dollars)

3.4 Credit risk (continued)

3.4.5 Loans and advances (continued)

Additional disclosures of Loans and advances as per the Central Bank of Liberia Prudential regulations are as follows:

Loans and Advances to Customers:

ANALYSIS BY:	**December 2017**	**December 2016**
TYPES		
Loans	8,947,932,571	3,314,792,913
Overdrafts	31,550,236	1,360,661,978
Past Due Loans	845,818,097	240,014,001
Total Gross Loan	**9,825,300,904**	**4,915,468,892**
Collective Impairment	(552,182,156)	(49,536,200)
Specific Impairment	(35,606,416)	(85,259,603)
	9,237,512,332	**4,780,673,089**
PERFORMANCE		
Performing	8,979,482,807	4,675,454,891
Impaired	845,818,097	240,014,001
	9,825,300,904	**4,915,468,892**

CUSTOMER		
Individual	4,636,245,842	2,230,226,371
Private Corporation & Business	4,664,430,603	2,670,017,375
Central and other level of Government	524,624,459	15,225,146
	9,825,300,904	**4,915,468,892**
SECTOR		
Agriculture, Fishery & Forestry	22,635,250	194,111,431
Mining & Quarry	176,553,541	108,005,070
Communication	270,682,009	239,695,943
Transportation	642,789,309	483,222,515
Oil & Gas	1,290,594,934	496,516,765
Government of Liberia	524,624,459	15,225,043
Others	6,897,421,402	3,378,692,125
	9,825,300,904	**4,915,468,892**

NOTES (continued)
(All amounts are in Liberian dollars)

3.4.6 Debt securities

The table below shows analysis of debt securities into the different classifications:

Investment Securities	**December 2017**	**December 2016**
GOL Treasury bills	134,928,612	105,062,499
Government Bond	923,202,786	651,628,837
Total	**1,058,131,398**	**756,691,336**

3.5 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

(i) Management of liquidity risk

The Bank's liquidity risk management process is primarily the responsibility of the Treasury Unit and Risk Management Unit. A brief overview of the Bank's liquidity management processes during the year includes the following:

1. Maintenance of minimum levels of liquid and marketable assets above the regulatory requirement of 15%. The Bank has also set for itself more stringent in-house limits of 25% and above the regulatory requirement to which it adheres.
2. Monitoring of its cash flow and balance sheet trends. The Bank also makes forecasts of anticipated deposits and withdrawals to determine their potential effect on the Bank.
3. Regular measurement & monitoring of its liquidity position/ratios in line with regulatory requirements and in-house limits.
4. Maintenance of minimum levels of liquid and marketable assets above the regulatory requirement of 15%. The Bank has also set for itself more stringent in-house limits of 25% and above the regulatory requirement to which it adheres.
5. Monitoring of its cash flow and balance sheet trends. The Bank also makes forecasts of anticipated deposits and withdrawals to determine their potential effect on the Bank.
6. Regular measurement & monitoring of its liquidity position/ratios in line with regulatory requirements and in-house limits
7. Regular monitoring of non-earning assets
8. Monitoring of deposit concentration
9. Ensure diversification of funding sources
10. Monitoring of level of undrawn commitments
11. Maintaining a contingency funding plan.

The Bank's overall approach to funding is as follows:

1. Generation of large pool of low cost deposits.
2. Maintenance of efficiently diversified sources of funds along product lines, business segments and also regions to avoid concentration risk

NOTES (continued)
(All amounts are in Liberian dollars)

3.5 Liquidity risk (continued)

Management of liquidity risk (continued)

The Bank was able to meet all its financial commitments and obligations without any liquidity risk exposure in the course of the year.

The Bank's Asset and Liability Management Committee (ALMAC) is charged with the responsibility of managing the Bank's daily liquidity position. A daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALMAC. The Board ALMAC sets limits which are in conformity with the regulatory limits. The limits are monitored regularly and exceptions are reported to Board ALMAC as appropriate. In addition gap reports are prepared monthly to measure the maturity mismatches between assets and liabilities. The cumulative gap over total assets is not expected to exceed 20%.

(ii) Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from Banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar calculation is used to measure the Bank's compliance with the liquidity limit established by the Bank's lead regulator (The Central Bank of Liberia).

(iii) Assets used in managing liquidity risk

The Bank holds a diversified portfolio of cash and highly liquid securities to support payment obligations and contingent funding in a structured market environment. The Bank assets held for managing liquidity risk comprised cash and balances with central Banks, due from other Banks and investment securities. Government bonds and securities that are readily acceptable in repurchase agreements with the central Bank.

(iv) Liquidity ratio

The Bank's liquidity ratio as at December 31, 2017 stood at **30.2%** as compared to **40.4%** at the end of December 2016, which is far above the regulatory required ratio of 15% and also above 25% limit set by the Management.

NOTES (continued)
(All amounts are in Liberian dollars)

(v) **Financial risk management (continued)**

3.5 Liquidity risk (continued)

The following table shows the undiscounted cash flows on the Group's financial assets and liabilities and on the basis of their earliest possible contractual maturity. The Gross nominal inflow / (outflow) disclosed in the table is the contractual, undiscounted cash flow on the financial assets and liabilities.

Gross nominal (undiscounted) maturities of financial assets and liabilities

December-2017

	Note	**Carrying amount**	**Gross nominal Inflow outflow**	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 5 years**
Financial assets							
Cash and cash equivalents	19	2,096,845,229	2,096,845,229	2,096,845,229	-	-	-
Derivative assets	21	379,249,307	351,442,000	100,412,000	251,030,000	-	-
Loans and advances to customers	22	9,237,512,332	9,237,512,332	1,261,482,232	461,875,617	4,156,880,549	3,357,273,934
Investment Securities:							
– Held to maturity	20	1,058,131,398	1,058,131,398	-	-	923,202,786	134,928,612
Other Assets	26	280,616,795	280,616,795	61,514,659	-	-	219,102,136
		13,052,355,061	**13,024,547,754**	**3,520,254,120**	**712,905,617**	**5,080,083,335**	**3,711,304,682**
Financial liabilities							
Deposits from customers	27	10,416,486,331	10,416,486,331	7,374,658,658	2,442,728,621	599,099,052	-
Due to banks	28	188,272,500	188,272,500	-	188,272,500	-	-
Due to Intercompany	20	1,230,017	1,230,017	1,230,017	-	-	-
Other Borrowed funds	32	439,716,934	439,716,934	-	-	-	439,716,934
Other Liabilities	31	595,429,500	595,429,500	-	488,655,845	71,261,473	35,512,182
		11,641,135,282	**11,641,135,282**	**7,375,888,675**	**3,119,656,966**	**670,360,525**	**475,229,116**
Gap (asset - liabilities)				**(3,855,634,555)**	**(2,406,751,349)**	**4,409,722,810**	**3,236,075,566**
Cumulative liquidity gap				**(3,855,634,555)**	**(6,262,385,904)**	**(1,852,663,094)**	**1,383,412,472**

NOTES (continued)
(All amounts are in Liberian dollars)

3.5 Liquidity risk (continued)

Gross nominal (undiscounted) maturities of financial assets and liabilities (continued)

December-2016

	Note	Carrying amount	Gross nominal Inflow outflow	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years
Financial assets							
Cash and cash equivalents	19	3,669,101,651	3,669,101,651	3,669,101,651	-	-	-
Loans and advances to customers	22	4,780,673,089	4,780,673,089	109,153,356	264,244,925	958,185,478	3,449,089,330
Investment Securities:							
– Held to maturity	20	756,691,336	756,691,336	-	-	651,628,837	105,062,499
Other Assets	26	386,646,392	386,646,392	54,908,849	171,275,953	64,965,137	95,496,454
		9,593,112,468	**9,593,112,468**	**3,833,163,856**	**435,520,878**	**1,674,779,451**	**3,649,648,283**
Financial liabilities							
Deposits from customers	27	7,328,121,771	7,328,121,771	7,005,140,715	322,981,056	-	-
Due to Intercompany	30	8,368,613	8,368,613	8,368,613	-	-	-
Other Borrowed funds	32	507,608,604	507,608,604	-	-	-	507,608,604
Other Liabilities	31	530,699,481	530,699,481	530,699,481		-	-
		8,374,798,469	**8,374,798,469**	**7,544,208,809**	**322,981,056**	**-**	**507,608,604**
Gap (asset - liabilities)				**(3,711,044,953)**	**112,539,822**	**1,674,779,452**	**3,142,039,679**
Cumulative liquidity gap				**(3,711,044,953)**	**(3,598,505,131)**	**(1,923,725,679)**	**1,218,314,000**

NOTES (continued)
(All amounts are in Liberian dollars)

3.6 Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, 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 market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

The Bank separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Treasury Unit, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis. With the exception of translation risk arising on the Bank's net investment in its foreign operations, all foreign exchange risks within the Bank are monitored by the Treasury Group. Accordingly, the foreign exchange position is treated as part of the Bank's trading portfolios for risk management purposes.
Overall authority for market risk is vested in Management ALCO Committee. However, they are also responsible for the development of detailed risk management policies (subject to review and approval by the Board ALMAC and for the day-to-day review of their implementation.

3.6.1 Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Bank's trading portfolios is the open position limits using the Earning-at-Risk approach. Specific limits (regulatory and in-house) have been set across the various trading portfolios to prevent undue exposure and the Treasury Unit ensures that these limits and triggers are adhered to by the Bank.

3.6.2 Exposure to interest rate risk – Trading and 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 re-pricing bands. The ALMAC is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities.
The Bank makes use of limit monitoring, earnings-at-risk, gap analyses and scenario analyses to measure and control the market risk exposures within its trading and Banking books.

The Bank also performs regular stress tests on its Banking and trading books. In performing this, the Bank ensures there are quantitative criteria in building the scenarios. The Bank determines the effect of changes in interest rates on interest income; volatility in prices on trading income; and changes in funding sources and uses on the Bank's liquidity. The key potential risks the Bank was exposed to from these instruments were foreign exchange risk and interest rate risk (price risk, basis risk). However, all potential risk exposures in the course of the year were successfully mitigated as mentioned above.

NOTES (continued)
(All amounts are in Liberian dollars)

3.6 Market risk (continued)

3.6.2 Exposure to interest rate risk – Trading and non-trading portfolios (continued)

Profit or loss is sensitive to higher/lower interest income and expense from the following assets and liabilities as a result of changes in interest rates

December 2017		Sensitivity	
	Interest amount	**>2%**	**<2%**
Financial assets			
Cash and cash equivalents	14,638,418	292,768	(292,768)
Loans and advances to customers	736,019,459	14,720,389	(14,720,389)
Investment Securities: Held to maturity	149,606,541	2,992,131	(2,992,131)
	900,264,418	**18,005,288**	**(18,005,288)**
Financial liabilities			
Deposits from customers	57,443,903	(1,148,878)	1,148,878
Other Borrowed funds	34,598,602	(691,972)	691,972
	92,042,505	**(1,840,850)**	**1,840,850**
Impact on post tax profit and equity			**12,123,328**

December 2016			
	Interest amount	**>2%**	**<2%**
Financial assets			
Cash and cash equivalents	9,675,674	193,513	(193,513)
Loans and advances to customers	422,734,585	8,454,692	(8,454,692)
Investment Securities: Held to maturity	60,821,886	1,216,438	(1,216,438)
	493,232,145	**9,864,643**	**(9,864,643)**
Financial liabilities			
Deposits from customers	52,511,849	(1,050,237)	1,050,237
Other Borrowed Funds	33,810,366	(676,207)	676,207
	86,322,215	**(1,726,444)**	**1,726,444**
Impact on post tax profit			**6,103,649**

NOTES (continued)
All amounts are in Liberian dollars unless otherwise stated)

3.6 Market risk (continued)

3.6.3 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to foreign exchange risk as at December 31, 2017 and effect of a 15% change in the balances.

December 2017		*USD balances expressed in Liberian dollars equivalent*		
	Note		**>15%**	**<15%**
Financial assets				
Cash and cash equivalents	20	1,572,170,939	235,825,641	(235,825,641)
Derivative assets	21	351,442,000	52,716,300	(52,716,300)
Loans and advances to customers	22	8,242,660,825	1,236,399,124	(1,236,399,124)
Investment Securities				
– Held to maturity	20	134,928,612	20,239,292	(20,239,292)
Other Assets	26	31,666,969	4,750,045	(4,750,045)
		10,332,869,345	**1,549,930,402**	**(1,549,930,402)**
Financial liabilities				
Deposits from customers	27	8,991,024,365	1,348,653,655	(1,348,653,655)
Due to banks	28	188,272,500	28,240,875	(28,240,875)
Due to intercompany	30	1,230,017	184,503	(184,503)
Other borrowed funds	32	439,716,934	65,957,540	(65,957,540)
Other liabilities	31	110,046,992	16,507,049	(16,507,049)
		9,730,290,808	**1,459,543,622**	**(1,459,543,622)**
Net impact			**90,386,780**	**(90,386,780)**

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

3.6.4 Foreign exchange risk (continued)

December 2016		*USD balances expressed in Liberian dollars equivalent*		
	Note		**>15%**	**<15%**
Financial assets				
Cash and cash equivalents	20	3,213,118,002	481,967,700	(481,967,700)
Loans and advances to customers	22	4,438,492,611	665,773,892	(665,773,892)
Investment Securities	20	105,062,499	15,759,375	(15,759,375)
Other Assets	26	225,409,210	33,811,382	(33,811,382)
		7,892,082,322	**1,197,312,349**	**(1,197,312,349)**
Financial liabilities				
Deposits from customers	27	6,566,407,752	984,961,163	(984,961,163)
Due to intercompany	30	8,368,613	1,255,292	(1,255,292)
Other borrowed funds	32	507,608,604	76,141,291	(76,141,291)
Other liabilities	31	473,016,102	70,952,415	(70,952,415)
		7,555,401,071	**1,133,310,161**	**(1,133,310,161)**
Net impact			**64,002,188**	**(64,002,188)**

3.7. Capital management

Regulatory capital

The Bank's lead regulator, the Central Bank of Liberia, sets and monitors capital requirements for the Bank. The Banking operation is directly supervised by the Central Bank of Liberia and other regulatory authorities in the country.

In implementing current capital requirements, Central Bank of Liberia 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, which includes ordinary share capital, share premium, retained earnings, translation reserve and non-controlling interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. There have been no material changes in the Bank's management of capital during the year.

NOTES (continued)
All amounts are in Liberian dollars unless otherwise stated)

3.7. Capital management (continued)

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 Central Bank of Liberia regulations, a minimum ratio of 10% is to be maintained for Banks. However the Bank's Capital adequacy ratio as at December 31, 2017 was 19% as compared to 26% reported as at December 31, 2016, which was well above the regulatory limit.

31-December-2017

In Liberian Dollars

ASSETS	WGTS	AMOUNT	VALUE
Cash & Clearing	0%	383,122,241	-
Balance Held with CBL	0%	1,368,145,225	-
Balance Held with Other Banks Outside Liberia	20%	345,577,763	69,115,553
GOL Bonds	0%	923,202,786	-
Treasury Bills	0%	134,928,612	-
Loans & Advances	100%	9,237,512,332	9,237,512,332
Other Assets	100%	270,794,496	270,794,496
Property and equipment	100%	728,639,267	728,639,267
Intangibles	100%	16,720,338	16,720,338
Bonds & Guarantees	50%	1,040,828,957	520,414,479
TOTAL RISK WEIGHTED ASSETS Gross		**14,449,472,017**	**10,843,196,465**
1ST TIER CAPITAL			
Share Capital			1,062,500,000
Statutory Reserves			187,914,742
Translation Difference			146,066,143
Retained earnings			640,200,733
TOTAL QUALIFYING CAPITAL			**2,036,681,618**
CAPITAL ADEQUACY RATIO*			**19%**

NOTES (continued)
All amounts are in Liberian dollars unless otherwise stated)

3.7. Capital management (continued)

Capital Adequacy ratio (continued)

31-December-2016

In Liberian Dollars

ASSETS	WGTS	AMOUNT	VALUE
Cash & Clearing	0%	460,317,059	-
Balance Held with CBL	0%	1,802,892,638	-
Cash Reserve Requirement	0%	148,533,000	-
Balance Held with Other Banks Outside Liberia	20%	994,892,581	198,978,516
GOL Bonds	0%	105,062,499	-
Treasury Bills	0%	651,628,837	-
Placements (Foreign Banks)	20%	410,999,374	82,199,875
Loans & Advances	100%	4,780,673,089	4,780,673,089
Other Assets	100%	238,113,591	238,113,591
Property and equipment	100%	534,481,554	534,481,554
Intangibles	100%	8,733,682	8,733,682
Bonds & Guarantees	50%	1,637,080,412	818,540,206
TOTAL RISK WEIGHTED ASSETS Gross		**11,773,408,316**	**6,661,720,513**
1ST TIER CAPITAL			
Share Capital			1,062,500,000
Statutory Reserves			120,555,224
Translation Difference			154,233,954
Retained earnings			373,496,795
TOTAL QUALIFYING CAPITAL			**1,710,785,973**
CAPITAL ADEQUACY RATIO*			**26%**

NOTES (continued)
All amounts are in Liberian dollars unless otherwise stated)

4. Other risk management

Operational risk

Guaranty Trust Bank defines Operational Risk Management (OpRisk) as “the direct/indirect risk of loss resulting from inadequate and/or failed internal process, people, and systems or from external events”. This definition requires the review and monitoring of all strategies and initiatives deployed in its people management, process engineering and re-engineering, technology investment and deployment, management of all regulatory responsibilities and response to external threats.

To ensure a holistic framework is implemented, Operational Risk Management also monitors Strategic and Reputational Risks from a broad perspective.

The following practices, tools and methodologies have been implemented for this purpose:

- **Loss Incident Reporting** – An in-house developed web-based Loss Incident Reporting System is deployed via the Bank’s intranet for logging of operational risk incidents Bank-wide. All staff members are encouraged to report operational risk incidents that occurred within their work spaces whether it crystallized to actual losses or not. As a result, Guaranty Trust Bank has collated OpRisk loss data for four years. Information gathered is used to identify risk concentrations and for appropriate operational risk capital calculation.

- **Risk and Control Self Assessments (RCSAs) –** This is a qualitative risk identification tool deployed Bank-wide. All branches and Head-Office departments are required to complete at least once a year. A risk-based approach has been adopted for the frequency of RCSAs to be conducted by branches, departments, groups and divisions of the Bank. These assessments enable risk profiling and risk mapping of prevalent operational risks.

  Risk Assessments of the Bank’s new and existing products / services are also carried out. This process also tests the quality of controls the Bank has in place to mitigate likely risks; a detailed risk register cataloguing key risks identified and controls for implementation is also developed and maintained from this process.
  Other Risk Assessments conducted include Process Risk Assessments, Vendor Risk Assessments, and Fraud Risk Assessments.
  Key Risk Indicators (KRI) – These are quantitative parameters defined for the purpose of monitoring operational risk trends across the Bank. A comprehensive KRI Dashboard is in place supported by specific KRIs for key departments in the Bank. Medium – High risk trends are reported in the Monthly Operational Risk Status reports circulated to Management and key stakeholders.

NOTES (continued)
All amounts are in Liberian dollars unless otherwise stated)

4. Other risk management

Operational risk (continued)

- **Fraud Risk Management Initiatives –** Causal analysis of key fraud and forgeries trends identified in the Bank or prevalent in local and global business environments are carried out and reported on a monthly basis. Likely and unlikely loss estimations are also determined in the process as input in the OpRisk capital calculation process. The focus in Fraud Risk Management is to ensure that processes for preventing, deterring, detecting fraud and forgeries incidents, and sanctioning offenders are effective.
- **Business Continuity Management (BCM) in line with BS 25999 Standards –** To ensure the resilience of our business to any disruptive eventuality, the Bank has in place a robust Business Continuity Plan (BCP) which assures timely resumption of its business with minimal financial losses or reputational damage and continuity of service to its customers, vendors and regulators. Desktop Walkthrough Tests are being conducted Bank-wide to ensure that recovery co-ordinators are aware of their roles and responsibilities. This plan is reviewed monthly and when necessary, it is updated to ensure reliability and relevance of information contained.
- **Information Risk Management Awareness and Monitoring –** Strategies for ensuring the Confidentiality, Availability and Integrity of all the Bank's information assets (hardware, software, documents, backup media, etc.) are continuously reviewed and key risks identified reported to key stakeholders. Where applicable, implementation of controls by relevant stakeholders is also tracked and reported on.
- **Compliance and Legal Risk Management –** Compliance Risk Management involves close monitoring of KYC compliance by the Bank, escalation of Audit Non-conformances, Complaints Management, and observance of the Bank's zero-tolerance culture for regulatory breaches. It also entails an oversight role for monitoring adherence to regulatory guidelines and global best practices on an on-going basis.
- **Legal Risk Management** involves the monitoring of litigations against the Bank to ascertain likely financial or non-financial loss exposures. It also involves conduct of causal analysis on identified points of failure that occasioned these litigations. Medium – High risk factors identified are duly reported and escalated for appropriate treatment where necessary.
- **Occupational Health and Safety procedures and initiatives** – Global best practices for ensuring the health and safety of all staff, customers and visitors to the Bank's premises are advised, reported on to relevant stakeholders and monitored for implementation. As a result, the following are conducted and monitored: Fire Risk Assessments, Quarterly Fire Drills, Burglaries and Injuries that occur within the Bank's premises.
- **Operational Risk Capital Calculation –** Strategies for migrating to the Advanced Measurement Approach once the required gestation period and data collation requirement are in place is on-going. Whilst it is not a regulatory requirement to have capital set aside for operational risk, these estimations are determined to guide Financial Control in its Capital Planning, and Management in its decision making process.

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

4. Other risk management

Operational risk (continued)

- **Operational Risk Reporting –** Monthly, quarterly, and annual reports highlighting key operational risks identified are circulated to relevant stakeholders for awareness and timely implementation of mitigation strategies. Reports are also generated and circulated on a need-basis.

Operational Risk Management Philosophy and Principles
Governance Structure

- The Board through its Board Risk Committee (BRC) oversees the operational risk function in the Bank. It ensures that the OpRisk policy is robust and provides a framework on the Bank's OpRisk profile and limits. It also determines the adequacy and completeness of the Bank's risk detection, and measurement systems, assesses the adequacy of risk mitigants, reviews and approves contingency plans for Specific Risks and lays down the principles on how operational risk incidents are to be identified, assessed, controlled, monitored and measured. The BRC reviews OpRisk Reports on a quarterly basis.
- The Management Risk Committee monitors the activities of OpRisk and approves key decisions made before presentation to the Board. It ensures the implementation of the guiding OpRisk framework Bank-wide, and ensures that all departments in the Bank are fully aware of the risks embedded in respective process flows and business activities.
- All process owners are responsible for the day-to-day management of OpRisks prevalent in respective departments, Groups, Divisions and Regions of the Bank.
- The Internal Audit function conducts independent reviews on the implementation of OpRisk Policies and Procedures Bank-wide.

Approach to Managing OpRisk

- Guaranty Trust Bank adopts operational risk procedures and practices that are "fit for purpose" and will increase the efficiency and effectiveness of the Bank's resources, minimise losses and utilize opportunities.
- This outlook embeds OpRisk practices in the Bank's day-to-day business activities.
- It also aligns with the Bank's Operational Risk Management framework with sound practices recommended by various local and globally-accepted regulatory agencies such as Committee of Sponsoring Organisations (COSO) / Sarbanes-Oxley (SOX) standards, and some internationally accepted British Standards such as the BS 25999 for Business Continuity Management.

Principles

- Operational risks inherent in all products, activities, processes and systems are assessed periodically for timely identification of new risks and trending of prevalent risks. The Bank ensures that before any new products, processes, activities and systems are introduced or undertaken, the operational risks inherent are assessed and likely risks mitigated.
- In accordance with this, the Bank ensures regular monitoring of its operational risk profile and material exposure to losses.

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

4. Other risk management

Operational risk (continued)
Principles (continued)

- Pertinent information is reported regularly to Senior Management and the Board to ensure proactive management of operational risk Bank wide.
- In addition to this, the Bank's Business Continuity Plan outlines the Bank's requirements for contingency and business continuity plans to ensure its ability to operate on an ongoing basis and limit losses in the event of severe business disruption.

Treatment of Operational Risks

- The OpRisk identification and assessment process provides a guide on the decision-making process for the extent and nature of risk treatment to be employed by the Bank. In line with best practices, the cost of risk treatments introduced must not exceed the reward.
- The following comprise the OpRisk treatments adopted by the Bank:

  - **Risk Acceptance and Reduction:** The Bank accepts the risk because the reward of engaging in the business activity far outweighs the cost of mitigating the risk. Residual risks retained by the business after deploying suitable mitigants are accepted

  - **Risk Transfer (Insurance):** This involves another party or parties bearing the risk, by mutual consent. Relationships are guided by the use of contracts and insurance arrangements

  - **Risk Sharing (Outsourcing):** Risk is shared with other parties that provide expert solutions required to mitigate risk or reduce risk burden whether operationally or financially
  -
  - **Risk Avoidance:** Requires discontinuance of the business activity that gives rise to the risk

Strategy Risk Management
Strategic Risk Management is the process for identifying, assessing and managing risks and uncertainties, affected by internal and external events or scenarios, that could inhibit the Bank's ability to achieve its strategy and strategic objectives with the ultimate goal of creating and protecting shareholder and stakeholder value.
In Guaranty Trust Bank, it is also regarded as the possibility that the Bank's strategy may be inappropriate to support its long-term corporate goals due to the inadequacy of its strategic planning and/or decision-making process or the inadequate implementation of such strategies. This could include the risk that the strategy is unclear, clear but not viable or clear and viable but badly implemented, or strategy failure due to unexpected circumstances.
A specialized template for monitoring Strategic Risk has been developed for tracking key activities designed or defined by the Bank to achieve its strategic intent in the short, medium and long term.

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

Guaranty Trust Bank considers Reputational Risk to be the current and prospective adverse impact on earnings and capital arising from negative public opinion. It measures the change in perception of the Bank by its stakeholders. It is linked with customers' expectations regarding the Bank's ability to conduct business securely and responsibly.
A detailed template with internal and external factors that might impact the Bank adversely is used to monitor the Bank's exposure to reputational risk. All adverse trends identified are reported to relevant stakeholders for timely redress.

Reputational risk management

Capital allocation

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

5. Critical accounting estimates and judgements

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.
Accounting policies and directors' judgements for certain items are especially critical for the Bank's results and financial situation due to their materiality.

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

5. Critical accounting estimates and judgements (continued)

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in the accounting policies.

The specific counterparty component of the total allowances for impairment applies to claims evaluated individually for impairment and is based upon 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 counter party's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances and held to maturity investment securities with similar economic characteristics when there is objective evidence to suggest that they contain impaired loans and advances and held to maturity investment securities, but the individual impaired items cannot yet be identified. A component of collectively assessed allowances is for country risks. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors.

In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances are estimated. Where the net present value of estimated cash flow differ by +/- 1%, the impairment loss to be estimated at US$ higher/lower.

(i) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in the accounting policies. 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.

(ii) Income tax

The Bank is subject to income taxes. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions.

NOTES (continued)

(All amounts are in Liberian dollars unless otherwise stated)

5. Critical accounting estimates and judgements (continued)

Additional disclosure requirements:

Difference between impairment under IFRS and provisions as per CBL's prudential regulations:
The CBL prudential guidelines provide that the difference between the two calculations of impairment and provision should be disclosed and the impact on profit and capital be stated. At the end of the year December 31, 2017 the calculations were done. Below is a summary with the difference.

	December 2017	December 2016
IFRS Impairment	587,788,572	134,795,803
CBL Provision	531,043,310	232,156,044
Difference	**56,745,262**	**(97,360,241)**

Fines and penalties: the Central Bank of Liberia's prudential guidelines also requires Banks to disclose fines and penalties levied against the Bank during the reporting period as an additional disclosure requirement. During the period under review, the Bank was not fined by the Central Bank of Liberia for contravening any requirement.

6. Interest income

Loans and advances to Customers	736,019,459	422,734,585
Cash and Cash equivalents	14,638,417	9,675,674
Held to maturity	149,606,541	60,821,886
	900,264,417	**493,232,145**
Geographical location:		
Interest income earned in Liberia	900,264,417	483,556,471
Interest income earned outside Liberia	-	9,675,674
	900,264,417	**493,232,145**

NOTES (continued)

(All amounts are in Liberian dollars unless otherwise stated)

7. Interest expense

	December 2017	December 2016
Deposit from customers	57,443,903	52,511,849
Borrowings	34,598,602	33,810,366
	92,042,505	**86,322,215**

By Geographical location

Interest paid in Liberia	57,443,903	52,511,849
Interest paid outside Liberia	34,598,602	33,810,366
	92,042,505	**86,322,215**

8. Loan impairment charges

Loans and advances to customers:		
Increase in collective impairment	-	14,413,545
Increase in specific impairment	461,743,704	13,457,404
Reversal of collective impairment	(8,750,935)	-
Reversal of specific impairment	(70,491,555)	(4,886,599)
	382,501,214	**22,984,350**

9. Fees and commission income

	December 2017	December 2016
Credit related fees and commissions	338,060,814	173,208,145
Commission on foreign exchange deals	3,214,146	949,174
Income from financial guarantee contracts issued	52,181,766	115,092,107
Commission on transfers	64,072,624	111,078,424
Account management charges	127,426,620	99,129,866
Other fees and commissions	181,253,905	132,717,603
	766,209,875	**632,175,319**

10. Fee and commission expense

Fee and commission expense	**18,824,709**	**15,118,244**

11. Net gain on foreign exchange trading

Foreign exchange gains	**4,901,616**	**12,868,134**

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

12. Other operating income

	December 2017	December 2016
Foreign exchange gain	291,460,092	60,554,106
Gain on disposal of fixed assets	894,670	543,481
Derivative Income	27,807,307	-
	320,162,069	**61,097,587**

13. Personnel expenses

Wages and Salaries	209,733,148	194,419,138
Contributions to defined contribution plans	13,361,426	10,775,930
Other staff cost	10,241,416	6,484,793
	233,335,990	**211,679,861**

The average number of persons employed by the Bank for the year ended December 31, 2017 was 200 (2016:109).

14. General and administrative expenses

Stationery and postage	32,586,763	24,528,931
Business travel expenses	2,198,409	4,970,700
Advert, promotion and corporate gifts	24,987,017	22,236,785
Other premises and equipment costs	87,336,436	73,663,214
Directors' emoluments	8,192,434	7,462,641
Contract Services	115,181,056	72,746,005
	270,482,115	**205,608,276**

15. Operating leases

Operating lease expense - office	43,244,424	30,025,563

16. Depreciation and amortization

Depreciation of property and equipment	111,112,662	90,522,415
Amortization of intangibles	4,081,733	2,680,158
	115,194,395	**93,202,573**

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

17. Other operating expenses

	December 2017	December 2016
Insurance Premium Paid	20,373,454	14,110,764
Consulting and auditing costs	4,679,033	3,546,009
Management Technical Services Expense	21,415,080	14,672,386
Fuel expense	38,330,776	29,126,377
Legal and secretarial	4,981,914	5,097,833
Donation & Corporate subscription	8,972,036	10,672,446
Internet and communication	41,436,283	33,825,972
Cash shortage	233,855	14,175,330
Others	107,555,465	90,374,517
	247,977,896	**215,601,634**

18. Income tax expense

Current year tax charge	136,217,100	81,224,205
Deferred tax charge	2,654,173	-
	138,871,273	**81,224,205**

Tax reconciliation

Profit before income tax	**587,934,729**	**318,830,469**
Income tax rate of	25%	25%
Expected income tax expense	**146,983,682**	**79,707,617**
Tax effects of:		
Expenses not deductible for tax purpose	-	1,516,588
Income not subject to tax	(9,990,252)	-
Recognition of previously unrecognized deferred taxes	2,654,173	-
Prior year's over provision	(776,330)	-
	138,871,273	**81,224,205**

19. Cash and cash equivalents

Cash and balances with Banks	726,553,577	1,362,870,853
Unrestricted balances with Central Banks	1,370,291,652	1,895,231,424
Money market placements	-	410,999,374
	2,096,845,229	**3,669,101,651**

All items of cash and cash equivalents have maturities of 3 months or less.

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

20. Investment Securities

Held-to-Maturity (HTM):	**December 2017**	**December 2016**
- GOL Treasury bills	134,928,612	105,062,499
- Government Bond	923,202,786	651,628,837
	1,058,131,398	**756,691,336**
Current	**1,058,131,398**	**756,691,336**
Non - current	**-**	**-**

21. Derivatives assets

Derivatives assets	379,249,307	-
Current	**379,249,307**	**-**
Non - current	-	-

The Bank entered into currency swaps designated as held for trading. A currency swap is the simultaneous spot sale (or purchase) of currency against a forward purchase (or sale) of approximately an equal amount. In a swap contract, there is an exchange, or notional exchange of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

22. Loans and advances to customers

December 2017

	Gross amount	**Specific Impairment**	**Portfolio Impairment**	**Total Impairment**	**Carrying amount**
Loans to Customers	9,825,300,904	(552,182,120)	(35,606,452)	(587,788,572)	9,237,512,332
	9,825,300,904	**(552,182,120)**	**(35,606,452)**	**(587,788,572)**	**9,237,512,332**
Current					**2,558,809,382**
Non - current					**7,266,491,522**

As at December 31, 2017 the gross loans and advances included non-performing loan of L$845,851,576.

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

Loans and advances to customers (continued)

December 2016

	Gross amount	Specific Impairment	Portfolio Impairment	Total Impairment	Carrying amount
Loans to Customers	4,915,468,891	(90,438,415)	(44,357,388)	(134,795,803)	4,780,673,089
	4,915,468,891	**(90,438,415)**	**(44,357,388)**	**(134,795,803)**	**4,780,673,089**

Current	**1,111,743,600**
Non - current	**3,668,929,489**

Loans to Customers	**December 2017**			**December 2016**		
	Specific allowance for impairment	**Collective allowance for impairment**	**Total allowance for impairment**	**Specific allowance for impairment**	**Collective allowance for impairment**	**Total allowance for impairment**
Balance at 1 January	90,438,415	44,357,388	134,795,803	90,438,415	44,357,388	134,795,803
Increase in impairment allowances	532,235,260	-	532,235,260	-	-	-
Reversal of impairment	(70,491,555)	(8,750,935)	(79,242,490)	-	-	-
	552,182,120	**35,606,452**	**587,788,572**	**90,438,415**	**44,357,388**	**134,795,803**

23. Current income tax liability

December 2017

	Balance at January 1	**Charge for the year**	**Payments during the year**	**Balance at December 31**
Up to 2016	50,743,462	(776,330)	(49,967,132)	-
2017	-	136,993,430	(19,749,837)	117,243,593
	50,743,462	**136,217,100**	**(69,716,969**	**117,243,593**

December 2016

Up to 2015	19,468,973	-	-	19,468,973
2016	-	81,224,205	(49,949,716)	31,274,489
	19,468,973	81,224,205	(49,949,716)	50,743,461

NOTES (continued)

(All amounts are in Liberian dollars unless otherwise stated

24. Property and equipment

December 31, 2017	Motor Vehicles	Premises	Furniture & Equipment	Land	Work in Progress	Total
Cost:						
Balance at beginning of the year	98,156,109	437,688,739	399,451,104	205,000	63,795,067	999,296,020
Additions	38,999,299	25,981,621	108,344,563	-	39,958,345	213,283,828
Disposals	(23,342,795)	-	-	-	-	(23,342,795)
Exchange rate effect	22,039,638	98,277,135	89,039,968	46,030	(2,182,730)	207,220,041
	135,852,251	**561,947,495**	**596,835,635**	**251,030**	**101,570,682**	**1,396,457,094**
Accumulated depreciation:						
Balance at beginning of the year	67,485,686	113,054,426	284,274,353	-	-	464,814,465
Charge for the year	21,970,086	23,906,543	65,236,032	-	-	111,112,662
Disposals	(23,342,795)	-	-	-	-	(23,342,795)
Exchange rate effect	17,022,636	27,915,011	70,295,848	-	-	115,233,495
	83,135,613	**164,875,980**	**419,806,233**	**-**	**-**	**667,817,827**
Net book value						
Balance at January 1, 2017	**30,670,423**	**324,634,313**	**115,176,751**	**205,000**	**63,795,067**	**534,481,554**
Balance at December 31, 2017	**52,716,638**	**397,071,515**	**177,029,402**	**251,030**	**101,570,682**	**728,639,267**

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

Property and equipment (continued)

	Motor Vehicles	Premises	Furniture & Equipment	Land	Work in Progress	Total
December 31 2016						
Cost:						
Balance at beginning of the year	86,111,008	311,521,286	294,528,740	-	40,192,583	**732,353,617**
Additions	21,855,398	143,206,198	108,817,364	205,000	23,602,484	**297,686,444**
Disposals	(9,810,297)	-	(3,895,000)	-	-	**(13,705,297)**
Exchange rate effect	-	(17,038,749)		-	-	**(17,038,749)**
	98,156,109	**437,688,735**	**399,451,104**	**205,000**	**63,795,067**	**999,296,015**
Accumulated depreciation:						
Balance at beginning of the year	48,855,585	79,404,564	200,402,812	-	-	**328,662,961**
Charge for the year	28,440,397	37,372,906	87,766,541	-	-	**90,522,415**
Disposals	(9,810,297)	-	(3,895,000)	-	-	**(13,705,297)**
Exchange rate effect	-	(3,723,047)	-	-	-	**(3,723,047)**
	67,485,685	**113,054,423**	**284,274,353**	**-**	**-**	**464,814,461**
Carrying amounts						
Balance at January 1, 2016	37,255,423	232,116,732	94,125,928	-	40,192,583	403,690,666
Balance at December 31, 2016	30,670,424	324,634,312	115,176,751	205,000	63,795,067	534,481,554

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

25. Intangible assets

	Purchased Software	
	2017	**2016**
Cost:		
Balance at beginning of the year	81,930,698	68,741,854
Additions	10,497,874	-
Exchange rate effect	18,396,439	13,188,844
Balance at end of year	**110,825,011**	**81,930,698**
Accumulated amortization:		
Balance at beginning of the year	73,197,016	59,165,363
Amortization for the year	4,081,733	2,680,158
Exchange rate effect	16,825,924	11,351,495
Balance at end of year	**94,104,673**	**73,197,016**
Net Book Value:		
Balance at 1 January	**8,733,682**	**9,576,490**
Balance at 31 December	**16,720,338**	**8,733,682**

26. Other assets

Accounts receivable	54,163,189	28,918,627
Prepayments	219,102,136	186,452,011
Restricted deposits with Central Bank	-	148,533,000
Stock/Stationery	7,351,470	18,753,656
Due from foreign Banks - cash collateral	-	3,989,297
	280,616,795	**386,646,591**
Current	**182,472,020**	**273,488,172**
Non - current	**98,144,775**	**113,158,419**

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

27. Deposits from customers

	December 2017	December 2016
Current deposits	7,374,779,828	5,321,934,172
Savings deposits	2,442,631,316	1,649,344,365
Term deposits	546,673,019	322,981,056
Call deposits	52,402,168	33,862,178
	10,416,486,331	**7,328,121,771**
Current	**10,416,486,331**	**7,328,121,771**
Non-current	-	-

The twenty largest depositors' deposits constitute **76% (L$7,918,096,769)** of the total deposits as at the end of December 31, 2017.

28. Due to Banks

Due to Banks	**188,272,500**	-
Current	**188,272,500**	-
Non-current	-	-

Amount due to Bank relates to time deposit amount made by AccessBank Liberia Limited during the year.

29. Deferred Tax Liabilities

Opening balance	-	-
Charge for the year	**2,654,173**	-
Closing balance	**2,654,173**	-

Deferred tax liability relates to temporary difference arising from property and equipment during the year.

30. Due to Related Parties

Due to Related Parties – Guaranty Trust Bank Plc	**1,230,017**	**8,368,613**

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. The ultimate controlling party is the parent company Guaranty Trust Bank Plc, a Bank licensed in the Federal Republic of Nigeria. The stated amount is due to the parent Bank, Guaranty Trust Bank Plc.

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

Related parties (continued)

Transactions with key management personnel and disclosures (continued)

	December 2017	December 2016
Transactions on behalf of the Bank	30,324,370	31,543,350
Management technical services	21,415,080	14,672,386
	51,739,450	**46,215,736**

Transactions with key management personnel and disclosures
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. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Bank.

i. Transaction with key management staff

The following key personnel had loans/advances with the Bank at the end of the period:

	December 2017	December 2016
Prince Saye	3,275,628	3,086,685
Jonathan Toe	1,765,063	2,082,083
	5,040,691	**5,168,768**

ii. Key management Personnel compensation

Key management personnel compensation for the year comprises:

Wages and salaries	18,186,009	32,758,755
Post-employment benefits	4,185,148	452,159
	22,371,157	**33,210,914**

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

31. Other liabilities

	December 2017	December 2016
Customers' deposit for foreign trade	41,644,446	81,481,568
Certified Cheques	55,181,049	5,579,922
Accounts payables on Western Union	(1,946,261)	788,919
Other current liabilities	433,474,797	394,729,537
Payables on employee Benefits	31,563,287	23,130,840
Liability for Defined Contribution Obligations	35,512,182	24,988,695
	595,429,500	**530,699,481**
Current	**559,917,318**	**505,710,786**
Non-current	**35,512,182**	**24,988,695**

32. Other Borrowed Funds

Due to PROPARCO	**439,716,934**	**507,608,604**
Current	**175,721,000**	**67,891,670**
Non-current	**263,995,934**	**439,716,934**

This represents the outstanding balance on the facility granted by PROPARCO, the private sector financing arm of Agence Francais de Development(AfD) in June 2014. The principal amount of USD7 million is repayable semi-annually from December 2015. Interest is paid on a semi-annual basis, priced at 6months Libor plus 4.5%. The loan is due to mature in June 2020.

33. Share Capital

The authorised shares of the Bank are 15,000,000 ordinary shares of no par value of which 15,000,000 ordinary shares have been issued as follows;

	No. of shares	Proceeds (L$)
Issued and fully paid		
Issue for cash consideration	**15,000,000**	**1,062,500,000**

The stated capital did not change during the year ended December 31, 2016 and December 31, 2017. There is no unpaid liability on any shares and there are no treasury shares.

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

34. Central Bank of Liberia Prudential Regulation and IFRS Impairment

This represents the difference between impairment loss on financial assets as per IFRS and the impairment loss on loans and advances per the Central Bank's prudential guidelines. The IFRS impairment is more than CBL prudential regulation by **L$ 56,788,572 (2016:.L$ 97,360,241 less)**

Impairment as per CBL prudential guidelines

December 2017

Category	Gross Amount	%	%	Provision
Performing-Current	**8,980,449,327**	**0.91**	1%	**89,804,493**
Non-performing	**844,851,576**	**0.09**		**441,238,816**
OLEM	67,729,232	0.01	5%	3,386,462
Substandard	49,741,547	0.01	20%	9,948,309
Doubtful	598,953,505	0.06	50%	299,476,752
Loss	128,427,293	0.01	100%	128,427,293
	9,825,300,904	**1.00**		**531,043,310**
Loans and advances (Net)	**9,294,257,594**			
NPL Ratio	**9%**			

December 2016

Category	Gross Amount	%	%	Provision
Performing-Current	**4,240,153,068**	**0.86**	**1%**	**42,401,531**
Non-performing	**675,315,920**	**0.14**		**189,754,513**
OLEM	454,981,280	0.09	5%	22,749,064
Substandard	51,058,071	0.01	20%	10,211,614
Doubtful	24,965,468	0.01	50%	12,482,734
Loss	144,311,101	0.03	100%	144,311,101
	4,915,468,988	**1.00**		**232,156,044**
Loans and advances (Net)	**4,683,312,944**			
NPL Ratio	**14%**			

NOTES (continued)
(All amounts are in Liberian dollars unless otherwise stated)

Impairment as per IFRS

December 2017

Sector	Collective	Specific	Total
Retail	18,848,964	52,398,460	71,247,424
Commercial	2,421,435	65,390,428	67,811,863
Corporate	2,131,873	88,452,805	90,584,678
Public Sector	12,204,180	345,940,427	358,144,607
Total	**35,606,452**	**552,182,120**	**587,788,572**

December 2016

Sector	Collective	Specific	Total
Retail	2,308,608	21,195,258	23,503,866
Commercial	11,549,019	19,072,585	30,621,604
Corporate	29,317,665	44,654,843	73,972,508
Public Sector	971,867	5,725,958	6,697,825
Total	**44,147,159**	**90,648,644**	**134,795,803**

Impact of difference between the provisions based on CBL guidelines and Impairment as per IFRS on profit and equity:

December 2017

The impairment losses under IFRS exceeds the provision calculated in accordance with the CBL/RSD/005/2014 prudential guideline by L$56,745,262. When adjusted for regulatory provisions, the bank's profits and capital are L$644,679,992 and L$2,093,426,880 respectively

December 2016

The regulatory provisions exceeds IFRS impairment by L$ 97,360,241; when adjusted for regulatory provisions, the bank's profits and capital are L$221,470,228 and L$1,613,425,732 respectively.