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Guaranty Trust Bank (Liberia) Ltd

GUARANTY TRUST BANK (LIBERIA) LIMITED
ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018

CONTENTS

CORPORATE INFORMATION

Board of Directors	Ikenna Anekwe (Appointed September 2018) Ayodeji Bejide (Recalled September 2018) Opral Mason Benson Demola Odeyemi Tayo Asupoto (Resigned December 2018) George Uwakwe (Appointed December 2018) Ernest C.B. Jones Richard Tolbert Dr. Ophelia I. Weeks
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 Beirut (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, 2018.

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, Nigeria, a company quoted on the Nigerian and London Stock Exchanges.

Guaranty Trust Bank 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 IFRS;
   b. applicable accounting standards have been followed, subject to any material departures to be disclosed or explained in the financial statements; and
   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) Limited 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 distinguish, 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

In the course of the financial year ended December 31, 2018, Mr Ayodeji Bejide, the former Managing Director, was recalled by the Board on September 3, 2018 and Mrs Tayo Asupoto resigned from the Board with effect from December 10, 2018. In the course of the year, Mr Ikenna Anekwe was appointed as the Managing Director with effect from September 10, 2018 and Mr George Uwakwe appointed as a non-executive director with effect from December 10, 2018. The appointments of Mr Ikenna Anekwe and Mr George Uwakwe have been approved by the Central Bank of Liberia.

Operating results

A highlight of the Bank's performance for the year ended December 31, 2018 is summarized in the table below:

	December 31, 2018	December 31, 2017
	L$ '000	L$ '000
Gross earnings	**2,348,387**	1,991,538
Profit before income tax	**96,643**	587,935
Income tax expense	**(108,545)**	(138,871)
(Loss)/Profit for the year	**(11,902)**	449,063

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 December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the requirements of the Registered Business Bank 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 December 31, 2018.

The financial statements on pages 8 to 77 comprise:

- the statement of financial position as at December 31, 2018;
- 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.

The directors are responsible for the other information. The other information comprises Report of the Directors but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Registered Business Bank Law (2002) and the New Financial Institution Act, 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern; 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Registered Business Bank 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 required for the purposes of our audit; and

ii) the Bank's balance sheet (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

PricewaterhouseCoopers

Certified Public Accountants

Monrovia, Liberia

April 24, 2019

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

		As at December 31	
	Note	**2018**	2017
Assets			
Cash and cash equivalents	19	**2,819,720,510**	2,096,845,229
Investment securities	20	**191,919,149**	1,058,131,398
Derivative assets	21	**-**	379,249,307
Loans and advances to customers	22	**11,455,603,824**	9,237,512,332
Property and equipment	24	**1,023,642,984**	728,639,267
Intangible assets	25	**27,911,313**	16,720,338
Other assets	26	**233,196,631**	280,616,795
Total assets		**15,751,994,411**	13,797,714,666
Liabilities			
Deposits from customers	27	**12,209,953,925**	10,416,486,331
Due to banks	28	**472,634,700**	188,272,500
Due to related parties	30	**1,058,434**	1,230,017
Current income tax liabilities	23	**14,799,450**	117,243,593
Deferred tax liabilities	29	**64,231,585**	2,654,173
Other liabilities	31	**539,802,107**	595,429,500
Other borrowed funds	32	**331,649,193**	439,716,934
Total liabilities		**13,634,129,394**	11,761,033,048
Equity			
Share capital	33	**1,062,500,000**	1,062,500,000
Retained earnings	33	**255,433,676**	640,200,733
Other components of equity	33	**799,931,341**	333,980,885
Total equity attributable to owners of the Bank		**2,117,865,017**	2,036,681,618
Total liabilities and equity		**15,751,994,411**	13,797,714,666

The notes on pages 13 to 77 are an integral part of these financial statements.

The financial statements on pages 8 to 77 were signed on behalf of the Board by:

Chairman of the Board

Managing Director

Company Secretary

STATEMENT OF COMPREHENSIVE INCOME
(All amounts are in Liberian dollars)

		For the year ended December 31	
	Note	**2018**	2017
Interest income	6	**1,378,213,010**	900,264,417
Interest expense	7	**(141,190,366)**	(92,042,505)
Net interest income		**1,237,022,644**	808,221,912
Fee and commission income	9	**900,057,641**	766,209,875
Fee and commission expense	10	**(36,011,986)**	(18,824,709)
Net fee and commission income		**864,045,655**	747,385,165
Net gains on financial instruments classified as held for trading	11	**9,058,070**	4,901,616
Other operating income	12	**61,057,860**	320,162,069
Other income		**70,115,930**	325,063,685
Operating income		**2,171,184,229**	1,880,670,762
Personnel expenses	13	**(295,526,577)**	(233,335,989)
Net impairment losses on financial assets	8	**(861,297,386)**	(382,501,214)
General and administrative expenses	14	**(366,171,168)**	(270,482,114)
Operating lease expense	15	**(49,162,126)**	(43,244,424)
Depreciation and amortization	16	**(170,917,930)**	(115,194,395)
Other operating expenses	17	**(331,466,105)**	(247,977,896)
Operating expenses		**(2,074,541,292)**	(1,292,736,033)
Profit before income tax		**96,642,937**	587,934,729
Income tax expense	18	**(108,544,562)**	(138,871,273)
(Loss)/Profit for the year		**(11,901,625)**	449,063,456
Other comprehensive income		-	-
Total comprehensive (loss)/income		**(11,901,625)**	449,063,456
Profit attributable to: Equity holders of the parent entity (total)			
– (Loss)/Profit for the year		**(11,901,625)**	449,063,456

The notes on pages 13 to 77 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are in Liberian dollars)

	Note	December 2018	December 2017
Cash flows from operating activities			
Profit before income tax		**96,642,937**	587,934,729
Adjustments for :			
Depreciation of property and equipment	16	**163,458,067**	111,112,662
Amortization of intangibles	16	**7,459,863**	4,081,733
Gains on disposal of property and equipment	24	**(993,406)**	(894,670)
Net impairment loss on financial assets	8	**861,297,386**	382,501,214
Net interest income		**(1,237,022,643)**	(808,221,912)
Foreign exchange gains	12	**(47,816,851)**	(291,460,092)
Changes in:			
Loans and advances to customers		**(2,218,091,491)**	(4,456,839,243)
Derivative asset		**379,249,307**	(379,249,307)
Other assets		**47,420,163**	106,029,796
Due to banks		**284,362,200**	188,272,500
Deposits from customers		**1,793,467,593**	3,088,364,560
Due to related parties		**(171,583)**	(7,138,596)
Other liabilities		**(55,627,394)**	64,730,019
Interest received		**1,306,163,458**	720,059,631
Interest paid		**(143,005,385)**	(80,131,322)
Income tax paid		**(149,411,293)**	(69,716,969)
Net cash generated from /(used in) operating activities		**1,087,380,928**	(840,565,267)
Cash flows from investing activities			
Net sale/(purchase) of investment securities		**976,430,230**	(294,588,949)
Purchase of property and equipment	24	**(312,178,412)**	(213,283,828)
Purchase of intangible assets	25	**(14,966,766)**	(10,497,874)
Proceeds from the disposal of property and equipment	24	**4,393,202**	894,670
Net cash generated from /(used in) investing activities		**653,678,254**	(517,475,981)
Cash flows from financing activities			
Principal repayment of debt	32	**(213,693,550)**	(62,947,500)
Dividends paid to owners		**-**	(115,000,000)
Net cash used in financing activities		**(213,693,550)**	(177,947,500)
Net increase /(decrease) in cash and cash equivalents		**1,527,365,632**	(1,535,988,748)
Cash and cash equivalents at beginning of year		**2,096,845,229**	3,669,101,651
Effect of exchange rate fluctuations on cash held		**(804,490,351)**	(36,267,674)
Cash and cash equivalents at the end of the year	19	**2,819,720,510**	2,096,845,229

STATEMENT OF CHANGES IN EQUITY

(All amounts are in Liberian dollars)

As at December 31, 2018	**Note**	**Share capital**	**Statutory Reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Total**
Balance at January 1, 2018		1,062,500,000	187,914,742	146,066,143	640,200,733	**2,036,681,618**
Changes on the initial application of IFRS 9		-	-	-	(372,865,432)	**(372,865,432)**
Restated balance at January 1, 2018		**1,062,500,000**	**187,914,742**	**146,066,143**	**267,335,301**	**1,663,816,186**
Loss for the period		-		-	(11,901,625)	**(11,901,625)**
Other comprehensive income						
Foreign currency translation difference	33	-	-	465,950,456	-	**465,950,456**
Total comprehensive income		-	-	**465,950,456**	**(11,901,625)**	**454,048,831**
Balance at December 31, 2018		**1,062,500,000**	**187,914,742**	**612,016,599**	**255,433,676**	**2,117,865,017**

The notes on pages 13 to 77 are an integral part of these financial statements.

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

Year ended December 31, 2017	Share capital	Regulatory risk reserve	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 comprehensive income	-	-	-	(8,167,811)	449,063,456	440,895,645
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 13 to 77 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 New Financial Institutions Act (1999) and Registered Business Company Law (2002). 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 accounting policies set out below have been applied consistently to all periods presented in these financial statements. All entities within the group apply the same accounting policies.

(a) Functional and presentation currency

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

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for derivative financial instruments which are measured at fair value.

(c) Use of estimates and judgements

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

NOTES (continued)

2. Significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations
The Bank adopted IFRS 9 effective 1 January 2018. This resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Bank did not early adopt any of IFRS 9 in previous periods.

IFRS 9 - Financial Instruments
As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings and other reserves of the current period. Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 introduces a new approach for classification and measurement of financial instruments, a more forward looking Impairment methodology and a new general hedge accounting requirement.

IFRS 15 - Revenue from Contracts with Customers
The adoption of IFRS 15, Revenue form Contracts with Customers on 1 January, 2018 did not result in any adjustment for the Bank.

Standards and interpretations issued/amended but not yet effective
The following standards have been issued or amended by the IASB but are yet to become effective

Standard	Content	Effective Date
IFRS 16	Leases	January 1 2019
IFRS 17	Insurance Contracts	January 1 2021

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 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 has carried out the impact assessment of the standard on its business. This standard does not have any significant impact on the Bank.

NOTES (continued)

2. Significant accounting policies (continued)

Standards and interpretations issued/amended but not yet effective (continued)

IFRS 17 - Insurance Contracts
IFRS 17 was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of IFRS 17 is to ensure an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. This standard does not impact the Bank in anyway as the Bank does not engage in insurance business.

2.3 Foreign currency translation

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.

As the Bank's functional currency is different from the presentation currency, the results and financial position are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date
- income and expenses are translated at average exchange rates, and
- all resulting exchange differences are recognized in other comprehensive income.

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.

NOTES (continued)

2. Significant accounting policies (continued)

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. Processing 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 purchases from and sale to customers.

2.7 Leases

(a) 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.

(b) 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 and deferred income tax

Income tax expense comprises current and deferred income 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.

(a) 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 income 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.

NOTES (continued)

2. Significant accounting policies (continued)

2.7 Income tax and deferred income tax (continued)

(b) Current income tax (continued)

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.

(c) 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 income 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 income tax liabilities against current tax assets.

2.9 Financial assets and liabilities

(a) Recognition

The Bank on the date of origination or purchase recognizes loans, debt and equity securities, deposits and subordinated debentures at the fair value of consideration paid. For non-revolving facilities, origination date is the date the facility is disbursed while origination date for revolving facilities is the date the line is availed. Regular-way purchases and sales of financial assets are recognized on the settlement date. All other financial assets and liabilities, including derivatives, are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

(b) Classification and measurement

Initial measurement of a financial asset or liability is at fair value plus transaction costs that are directly attributable to its purchase or issuance. For instruments measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss. Financial assets include both debt and equity instruments. Financial assets are classified into one of the following measurement categories:

- Amortised cost
- Fair Value through Other Comprehensive Income (FVOCI)
- Fair Value through Profit or Loss (FVTPL) for trading related assets

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics.

NOTES (continued)

2. Significant accounting policies (continued)

2.9 Financial assets and liabilities (continued)

(b) Classification and measurement (continued)

Business model assessment
Business model assessment involves determining whether financial assets are managed in order to generate cash flows from collection of contractual cash flows, selling financial assets or both. The Bank assesses business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of business model, the Bank takes into consideration the following factors:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of assets in a portfolio is evaluated and reported to the heads of departments and other key decision makers within the Bank's business lines;
- The risks that affect the performance of assets held within a business model and how those risks are managed;
- How compensation is determined for the Bank's business lines' management that manages the assets; and the frequency and volume of sales in prior periods and expectations about future sales activity.
- Management determines the classification of the financial instruments at initial recognition. The business model assessment falls under three categories:
  - Business Model 1(BM1): Financial assets held with the sole objective to collect contractual cash flows;
  - Business Model 2 (BM2): Financial assets held with the objective of both collecting contractual cash flows and selling; and
  - Business Model 3 (BM3): Financial assets held with neither of the objectives mentioned in BM1 or BM2 above. These are basically financial assets held with the sole objective to trade and to realize fair value changes.

The Bank may decide to sell financial instruments held under the BM1 category with the objective to collect contractual cash flows without necessarily changing its business model depending on certain conditions being met.

Cash flow characteristics assessment
The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

NOTES (continued)

2. Significant accounting policies (continued)

2.9 Financial assets and liabilities (Continued)

(b) Classification and measurement (continued)

(i) Financial assets measured at amortised cost
Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Amortization is included in interest income in the Statement of Comprehensive Income. Impairment on financial assets measured at amortized cost is calculated using the expected credit loss approach.

Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the Statement of Financial Position.

(ii) Financial assets measured at FVOCI
Financial assets are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in Other Comprehensive Income (OCI), unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship any changes in fair value due to changes in the hedged risk is recognized in non-interest income in the Statement of Comprehensive Income. Upon derecognition, realized gains and losses are reclassified from Other Comprehensive Income and recorded in non-interest income in the Statement of Comprehensive Income. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Statement of Comprehensive Income. Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to Interest income in the Statement of comprehensive Income using the effective interest rate method.

(iii) Financial assets measured at FVTPL
Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest. Financial assets may also be designated at FVTPL if by so doing eliminates or significantly reduces an accounting mismatch which would otherwise arise. These instruments are measured at fair value in the Statement of Financial Position, with transaction costs recognized immediately in the Statement of Comprehensive Income as part of Non-interest income. Realized and unrealized gains and losses are recognized as part of Non-interest income in the Statement of Comprehensive Income.

NOTES (continued)

2. Significant accounting policies (continued)

2.9 Financial assets and liabilities (Continued)

(iv) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognized as part of Non-interest income in the Statement of Comprehensive Income. The Bank can elect to classify non-trading equity instruments at FVOCI. This election will be used for certain equity investments for strategic or longer term investment purposes.

The FVOCI election is made upon initial recognition, on an instrument-by-instrument basis and once made is irrevocable. Gains and losses on these instruments including when derecognized/sold are recorded in OCI and are not subsequently reclassified to the Statement of Comprehensive Income. Dividends received are recorded in Interest income in the Statement of Comprehensive Income.
Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the Statement of Comprehensive Income on sale of the security.

(v) Financial liabilities at amortised cost

Financial liabilities that are not classified at fair value through profit or loss fall into this category and are measured at amortized cost using the effective interest rate method. Financial liabilities measured at amortized cost are deposits from banks or customers, due to related parties and other borrowed funds.

(c) Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. A change in the Bank's business model will occur only when the Bank either begins or ceases to perform an activity that is significant to its operations.

When reclassification occurs, the Bank reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'.

(d) Modification of financial assets and liabilities

Financial assets

When the contractual terms of a financial asset are modified, the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

Any difference between the amortized cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss as 'gains and losses arising from the derecognition of financial assets measured at amortized cost. If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Bank recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss as part of impairment charge for the year.

NOTES (continued)

2. Significant accounting policies (continued)

2.9 Financial assets and liabilities (Continued)

(e) De-recognition of financial instruments

Financial assets
The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or re-pledge them.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

(f) Impairment of financial assets
In line with IFRS 9, the Bank assesses the under listed financial instruments for impairment using Expected Credit Loss (ECL) approach:

- Financial assets at amortized cost;
- Debt securities classified as at FVOCI;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

Equity instruments and financial assets measured at FVTPL are not subjected to impairment under the standard.

(g) Offsetting financial instruments
Master agreements provide that, if an event of default occurs, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the company or the counterparty.

Income and expenses are presented on a net basis only when permitted under IFRS or for gains and losses arising from a Bank of similar transactions such as in the Bank's trading activity.

NOTES (continued)

2. Significant accounting policies (continued)

2.10 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Central Bank 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. 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 Statement 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.

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
Computer equipment	3years
Furniture and equipment	5years
Motor vehicles	4years

NOTES (continued)

2. Significant accounting policies (continued)

2.11 Property and equipment (continued)

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.

2.12 Intangible assets

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

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 regular 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.
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.

NOTES (continued)

2. Significant accounting policies (continued)

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.

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.

2.16 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.

2.17 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.

NOTES (continued)

2. Significant accounting policies (continued)

2.17 Employee benefits (continued)

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.

2.18 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)

3. Financial risk management

3.1 Introduction and overview

The Bank has an 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 risk

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 Bank 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.

The 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.

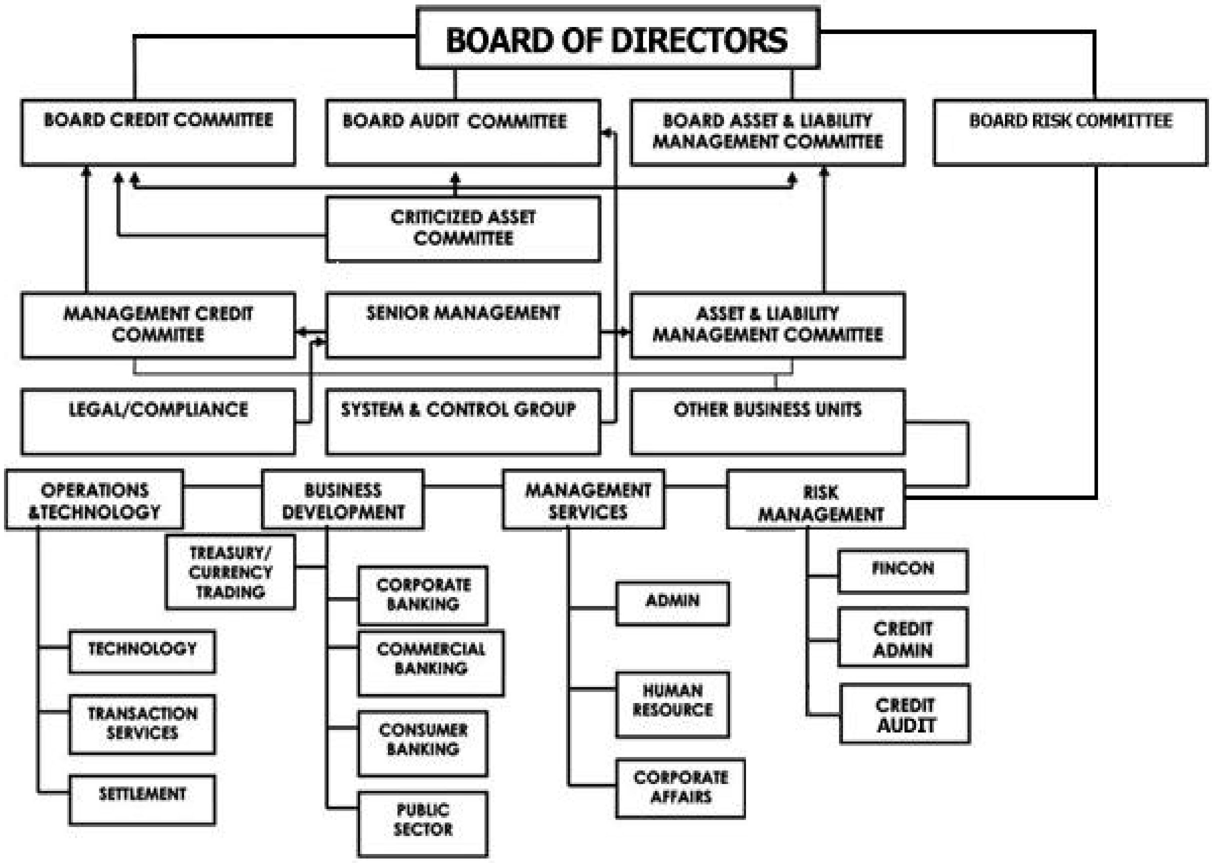
The Bank's Audit Committee is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to risks faced by the Bank. The Audit Committee is assisted by the Internal Audit department, in carrying out 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. Financial risk management (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 as 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. Financial risk management (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

NOTES (continued)

3. Financial risk management (continued)

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. Financial risk management (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 IFRS 9, the Bank adopted the Expected Credit Loss (ECL) approach. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception.

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. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk measurement (continued)

Expected Credit Loss impairment model
The Bank's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Bank adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition.
- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over the life of the asset (life time expected credit loss), unless there has been no significant increase in credit risk since origination.

Measurement of expected credit losses
The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. Details of these statistical parameters/inputs are as follows:
- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.
  - 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
  - Lifetime PDs – This is the estimated probability of default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures. PDs are limited to the maximum period of exposure required by IFRS 9.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

NOTES (continued)

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk measurement (continued)

Measurement of expected credit losses (continued)

- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

To estimate expected credit loss for off balance sheet exposures, credit conversion factor (CCF) is usually computed. CCF is a modelled assumption which represents the proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring. It is a factor that converts an off balance sheet exposure to its credit exposure equivalent. In modelling CCF, the Bank considers its account monitoring and payment processing policies including its ability to prevent further drawings during periods of increased credit risk. CCF is applied on the off balance sheet exposures to determine the EAD and the ECL impairment model for financial assets is applied on the EAD to determine the ECL on the off balance sheet exposures.

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Macroeconomic factors

The Bank relies on a broad range of forward looking information as economic inputs, such as: GDP growth, unemployment rates, central bank base rates, inflation rates and foreign exchange rates. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgement.

Assessment of significant increase in credit risk (SICR)

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

Assessment of significant increase in credit risk (SICR) (continued)

The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region.

The Bank adopts a multi factor approach in assessing changes in credit risk. This approach considers: Quantitative (primary), Qualitative (secondary) and Back stop indicators which are critical in allocating financial assets into stages. The quantitative models consider deterioration in the credit rating of obligor/counterparty based on the Bank's internal rating system or External Credit Assessment Institutions (ECAI) while qualitative factors consider information such as expected forbearance, restructuring, exposure classification by licensed credit bureau, etc.

NOTES (continued)

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk measurement (continued)

A backstop is typically used to ensure that in the (unlikely) event that the primary (quantitative) indicators do not change and there is no trigger from the secondary (qualitative) indicators, an account that has breached the 30 days past due criteria for SICR and 90 days past due criteria for default is transferred to stage 2 or stage 3 as the case may be except there is a reasonable and supportable evidence available without undue cost to rebut the presumption.

Definition of default and credit impaired financial assets
At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for a security because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.
- Others include death, insolvency, breach of covenants, etc.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, loans that are more than 90 days past due are considered impaired except for certain specialized loans (Project Finance, Object Finance and Real Estate Loans as specified by the Central Bank of Liberia) in which the bank has rebutted the 90 DPD presumptions in line with the CBL Prudential Guidelines.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.

Definition of default and credit impaired financial assets (continued)

- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

NOTES (continued)

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.2 Credit risk measurement (continued)

Presentation of allowance for ECL in the Statement of Financial Position
Loan allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Bank presents a combined loss allowance for both components.
- The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-Off
The Bank writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no reasonable expectation of recovery. After a full evaluation of a non-performing exposure, in the event that either one or all of the following conditions apply, such exposure shall be recommended for write-off (either partially or in full):

- continued contact with the customer is impossible;
- recovery cost is expected to be higher than the outstanding debt;
- The bank's recovery method is foreclosing collateral and the value of the collateral is such that there is reasonable expectation of recovering the balance in full.

All credit facility write-offs shall require endorsement at the appropriate level, as defined by the Bank. Credit write-off approval shall be documented in writing and properly initialed by the approving authority.

A write-off constitutes a derecognition event. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amount due. Whenever amounts are recovered on previously written-off credit exposures, such amount recovered is recognized as income on a cash basis only.

NOTES (continued)

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.3 Risk limit control and mitigation policies

(a) 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$250,000 (LD$18,000,000)
MD/DMD	Up to US$150,000 (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. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.3 Risk limit control and mitigation policies (continued)

(a) 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.

(b) 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:

- 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
- Customer's account balances must be within the scope of cover provided by its collateral.
- 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:

- Mortgages over residential properties
- Charges over business premises, fixed and floating assets as well as inventory.
- 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. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.3 Risk limit control and mitigation policies (continued)

(c) 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 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.

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 financial statements but are disclosed in the notes to the financial statements unless they are remote.

The Bank had certain legal cases pending before the courts at December 31, 2018. 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. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.4 Credit risk exposures

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 exposures relating to On-Balance Sheet

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

	Maximum exposure	
(All amounts are in Liberian dollars)	**December 2018**	December 2017
Classification		
Cash and cash equivalents:		
- Balances held with other Banks	**454,548,839**	345,577,763
- Balances with Central Bank	**1,878,834,615**	1,370,291,652
- Money market placements	**23,879,329**	-
Investment securities:		
- GOL Treasury bills	**23,349,409**	923,202,786
- Government Bond	**168,573,037**	134,928,612
Loans and advances to customers:		
- Loans to individuals	**2,356,659,736**	4,692,813,744
- Loans to non-individuals	**9,098,944,088**	4,544,698,588
Other assets[1]	**236,801**	33,265,225
Total	**14,005,025,854**	12,044,778,370
Loans exposure to total exposure	**82%**	77%
Other exposure to total exposure	**18%**	23%

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

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

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.4 Credit risk exposures (continued)

(i) Credit risk exposures 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 2018 and 31 December 2017 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 2018	December 2017
Loans to individuals:		
Overdraft	**315,214,888**	1,267,059,711
Loans	**2,041,444,848**	3,425,754,033
	2,356,659,736	4,692,813,744
Loans to non-individuals:		
Overdraft	**4,040,273,794**	1,590,644,506
Loans	**5,058,670,294**	2,954,054,082
	9,098,944,088	4,544,698,588
TOTAL	**11,455,603,824**	9,237,512,332

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

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

	Maximum exposure	
	December 2018	December 2017
Financial guarantees	**343,577,348**	159,605
Other contingents	**611,443,431**	1,040,669,353
	955,020,779	1,040,828,958

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

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.4 Credit risk exposures (continued)

Concentration of risks of financial assets with credit risk exposures

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 exposures relating to On-Balance Sheet

December 2018

In Liberian dollars	**Liberia**	**Outside Africa**	**Total**
Classification			
Cash and cash equivalents:			
- Balances held with other banks	-	454,548,839	454,548,839
- Balances with Central banks	1,878,834,615	-	1,878,834,615
- Money market placements	23,879,329	-	23,879,329
Investment securities:			
- Treasury bills	23,349,409	-	23,349,409
- Government Bond	168,573,037	-	168,573,037
Loans and advances to customers:			
- Loans to individuals	2,356,659,736	-	2,356,659,736
- Loans to non-individuals	9,098,944,088	-	9,098,944,088
Other assets*	236,801	-	236,801
Total	**13,550,477,015**	**454,548,839**	**14,005,025,854**

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

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

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.4 Credit risk exposures (continued)

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

At December 31, 2018, the Bank's financial assets were categorized under IFRS 9 as follows:

Assets	**Stage 1**	Stage 2	Stage 3	Total
Cash and cash equivalents	2,819,720,510	-	-	**2,819,720,510**
Investment securities	191,919,149	-	-	**191,919,149**
Loans and advances to customers	5,764,351,730	3,042,320,489	2,648,931,605	**11,455,603,824**
Property and equipment	1,023,642,984	-	-	**1,023,642,984**
Intangible assets	27,911,313	-	-	**27,911,313**
Other assets	233,196,631	-	-	**233,196,631**

Loans and advances to customers is analyzed below:

December 2018	**Liberia**	**Outside Africa**	**Total**
Loans to individuals:			
Overdraft	315,214,888	-	315,214,888
Loans	2,041,444,848	-	2,041,444,848
	2,356,659,736	**-**	**2,356,659,736**
Loans to non-individuals:			
Overdraft	4,040,273,794	-	4,040,273,794
Loans	5,058,670,294	-	5,058,670,294
	9,098,944,088	-	**9,098,944,088**

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

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.4 Credit risk exposures (continued)

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

Geographical region (continued)

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.

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

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

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.4 Credit risk exposures (continued)

Credit risk exposures relating to Off-Balance Sheet

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

December 2018	**Liberia**	**Outside Africa**	**Total**
Financial guarantees	343,577,348	-	**343,577,348**
Other contingents	611,443,431	-	**611,443,431**
	955,020,779	-	**955,020,779**

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

3.4.5 Loans and advances

All loans and advances are categorized as follows during the current period:

(a) Stage 1:

These are loans and advances that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (where the optional simplification is applied) at the reporting date. The credit quality of the Stage 1 loans and advances are assessed by reference to the internal rating system adopted by the Bank. These are assigned ratings 1-6[1].

In addition to the above, Stage 1 loans and advances are loans that have experienced movement of credit rating of less than 3 notches migration of the obligors over the period of 3 years.

(b) Stage 2:

These are loans and advances that have deteriorated significantly in credit quality since initial recognition but do not have objective evidence of a credit loss event. The credit quality of the Stage 2 loans and advances are assessed by reference to the internal rating system adopted by the Bank. These are assigned rating 7[1].

In addition to the above, Stage 2 loans and advances are loans that have experienced movement of credit rating of more than 3 notches migration of the obligors over the period of 3 years.

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

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.5 Loans and advances (continued)

(c) Stage 3:

These are loans and advances that have objective evidence of a credit loss event. Stage 3 allocation is driven by either the identification of credit impairment or an exposure being classified as defaulted. The credit quality of the Stage 3 loans and advances are assessed by reference to the internal rating system adopted by the Bank. These are assigned ratings 8-10[1].

All loans and advances were categorized as follows in comparative period:

(a) Neither past due nor impaired:

These are significant loans and advances where contractual interest or principal payments are not past due. 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. These are assigned ratings 1-6[1].

(b) 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. This is assigned rating 7[1].

(c) 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. These are assigned ratings 8-10[1].

(d) 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. Thus, Loans assessed for collective impairment transverse from ratings 1 to ratings 7[1].

[1]Ratings 1	Exceptional capacity
Ratings 2	Very strong capacity
Ratings 3-5	Strong repayment capacity
Ratings 6	Acceptable Risk
Ratings 7	Stage 2 loans and advances
Ratings 8-10	Stage 3 loans and advances

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

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.5 Loans and advances (continued)

Loans and advances are summarized as follows:

December 2018

In Liberian Dollars	**Loans to Individual**	**Loans to non-Individual**	**Total**
Stage 1- 12 months ECL	1,969,000,441	4,212,924,884	6,181,925,325
Stage 2 - Lifetime ECL not credit impaired	392,285,447	2,968,987,599	3,361,273,046
Stage 3 - Non performing loans	182,528,490	2,806,681,054	2,989,209,544
Gross Loans and Advances	**2,543,814,378**	**9,988,593,537**	**12,532,407,915**
Less allowances for impairment:			
Stage 1- 12 months ECL	135,624,147	281,949,448	417,573,595
Stage 2 - Lifetime ECL not credit impaired	20,897,654	298,054,903	318,952,557
Stage 3 - Non performing loans	30,632,842	309,645,097	340,277,939
Total allowance	**187,154,643**	**889,649,448**	**1,076,804,091**
Net Loans and Advances	**2,356,659,735**	**9,098,944,089**	**11,455,603,824**

December 2017

In Liberian dollars	Total
Neither past due nor impaired	4,975,532,083
Past due but not impaired	1,007,122,193
Individually impaired	848,890,955
Collectively Impaired	2,993,755,673
Gross	9,825,300,904
Less allowances for impairment:	
Individually impaired	552,182,156
Portfolio allowance	35,606,416
Total allowance	587,788,572
Net Loans and Advances	9,237,512,332

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

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.5 Loans and advances (continued)

Each category of the gross loans is further analyzed into product lines as follows:

December 2018

In Liberian Dollars	Loans to Individual	Loans to non-Individual	Total
Loans	1,611,601,512	1,876,028,720	3,487,630,232
Overdrafts	357,398,929	2,336,896,164	2,694,295,093
Stage 1 - 12 month ECL	**1,969,000,441**	**4,212,924,884**	**6,181,925,325**
Loans	386,284,471	1,215,662,640	1,601,947,111
Overdrafts	6,000,976	1,753,324,959	1,759,325,935
Stage 2 - Lifetime ECL not credit impaired	**392,285,447**	**2,968,987,599**	**3,361,273,046**
Loans	146,758,857	2,083,685,177	2,230,444,034
Overdrafts	35,769,633	722,995,876	758,765,510
Stage 3 - Non performing Loans	**182,528,490**	**2,806,681,054**	**2,989,209,544**
Total Gross Loans and Advances	**2,543,814,378**	**9,988,593,537**	**12,532,407,915**

The impairment allowance on loans is further analyzed as follows:

December 2018

In Liberian Dollars	Loans to Individual	Loans to non-Individual	Total
Stage 1 - 12 month ECL			
Loans	57,441,173	15,061,974	72,503,147
Overdrafts	78,182,974	266,887,474	345,070,448
	135,624,147	**281,949,448**	**417,573,595**
Stage 2 - Lifetime ECL not credit impaired			
Loans	19,474,647	16,572,989	36,047,636
Overdrafts	1,423,007	281,481,914	282,904,921
	20,897,654	**298,054,903**	**318,952,557**
Stage 3 - Non performing Loans			
Loans	26,284,173	85,071,280	111,355,453
Overdrafts	4,348,669	224,573,817	228,922,486
	30,632,842	**309,645,097**	**340,277,939**
Total allowance	**187,154,643**	**889,649,448**	**1,076,804,091**

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

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.5 Loans and advances (continued)

The following tables show the analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets:

Maximum exposure to credit risk - Loans and advances

Ratings	Stage 1	Stage 2	Stage 3	Total
Exceptional capacity	-	-	-	-
Very strong capacity	376,915,591	-	-	376,915,591
Strong repayment capacity	4,996,937,730	-	-	4,996,934,730
Acceptable Risk	808,072,004	3,361,273,046	-	4,169,345,050
Default	-	-	2,989,209,544	2,989,209,544
Total	**6,181,925,325**	**3,361,273,046**	**2,989,209,544**	**12,532,407,915**

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
	2,019,598,230	2,955,933,853	4,975,532,083

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	884,809,206
	1,007,122,193
FV of collateral	1,473,797,130
Amount of under collateralization	-

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

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.5 Loans and advances (continued)

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	-

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.

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

Gross loans	**2,543,814,378**	2,993,755,673
Collateral	**5,434,807,545**	3,995,987,417
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 2018	**Gross Loans**	**Collateral**
Against Stage 1 Loans and Advances	6,181,925,325	23,935,973,205
Against Stage 2 Loans and Advances	3,361,273,046	16,498,281,096
Against Stage 3 Loans and Advances	2,989,209,544	5,827,353,314
Total	**12,532,407,915**	**46,261,607,615**

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

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.5 Loans and advances (continued)

The type of collaterals and other security enhancements held against the various loan classifications are disclosed in the table below:

December 2018

In Liberian Dollars	**Loans and advances to customers**
Against Stage 1 Loans and Advances:	
Property	11,389,438,597
Others #	12,546,534,608
Total	**23,935,973,205**
Against Stage 2 Loans and Advances:	
Property	10,614,757,852
Others #	5,883,523,244
Total	**16,498,281,096**
Against Stage 3 Loans and Advances:	
Property	3,185,558,395
Others #	2,641,794,919
Total	**5,827,353,314**
Grand total	**46,261,607,615**

#Others include Domiciliation, Counter Indemnity, Asset Debenture etc.

Loans and advances (continued)

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	1,473,797,130
Against individually impaired	848,890,955	373,839,524
Against collectively impaired	2,993,755,673	3,995,987,417
Total	9,825,300,904	18,306,185,523

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

3. Financial risk management (continued)

3.4 Credit risk (continued)

3.4.5 Loans and advances (continued)

Analysis of credit collateral is further shown below:

December 2018

	Loans and advances to customers		
	Term Loans	**Overdrafts**	**Total**
Against Stage 1 Loans and Advances:			
Property	3,262,854,699	8,126,583,898	11,389,438,597
Others #	7,608,226,172	4,938,308,436	12,546,534,608
Total	**10,871,080,871**	**13,064,892,334**	**23,935,973,205**
Against Stage 2 Loans and Advances:			
Property	5,210,458,289	5,404,299,563	10,614,757,852
Others #	5,543,711,192	339,812,052	5,883,523,244
Total	**10,754,169,481**	**5,744,111,615**	**16,498,281,096**
Against Stage 3 Loans and Advances:			
Property	2,940,347,146	245,211,249	3,185,558,395
Others #	1,583,785,038	1,058,009,881	2,641,794,919
Total	**4,524,132,184**	**1,303,221,130**	**5,827,353,314**
Grand total	**26,149,382,536**	**20,112,225,079**	**46,261,607,615**

#Others include Domiciliation, Counter Indemnity, Asset Debenture, etc.

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

3. Financial risk management (continued)

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 2018**	December 2017
TYPES		
Loans	**4,359,376,341**	8,947,932,571
Overdrafts	**5,212,386,537**	31,550,236
Past Due Loans	**2,960,645,037**	845,818,097
Total Gross Loans	**12,532,407,915**	9,825,300,904
Collective Impairment	**(417,586,610)**	(552,182,156)
Specific Impairment	**(659,217,481)**	(35,606,416)
	11,455,603,824	9,237,512,332
PERFORMANCE		
Performing	**9,571,762,878**	8,979,482,807
Impaired	**2,960,645,037**	845,818,097
	12,532,407,915	9,825,300,904
CUSTOMER		
Individual	**2,808,890,866**	4,636,245,842
Private Corporation & Business	**9,202,013,860**	4,664,430,603
Central and other level of Government	**521,503,189**	524,624,459
	12,532,407,915	9,825,300,904
SECTOR		
Agriculture, Fishery & Forestry	**667,762,672**	22,635,250
Mining & Quarry	**313,753,931**	176,553,541
Manufacturing	**430,995,881**	-
Communication	**249,773,919**	270,682,009
Transportation	**78,837,557**	642,789,309
Oil & Gas	**2,059,572,510**	1,290,594,934
Government of Liberia	**521,529,968**	524,624,459
Others	**8,210,181,477**	6,897,421,402
	12,532,407,915	9,825,300,904

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

3. Financial risk management (continued)

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:

- 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.
- 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.
- Regular measurement & monitoring of its liquidity position/ratios in line with regulatory requirements and in-house limits.
- 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.
- 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.
- Regular measurement & monitoring of its liquidity position/ratios in line with regulatory requirements and in-house limits
- Regular monitoring of non-earning assets
- Monitoring of deposit concentration
- Ensure diversification of funding sources
- Monitoring of level of undrawn commitments

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

- Generation of large pool of low cost deposits.Maintenance of efficiently diversified sources of funds along product lines, business segments and also regions to avoid concentration risk
- Maintaining a contingency funding plan.

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.

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

3. Financial risk management (continued)

3.5 Liquidity risk (continued)

(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, 2018 stood at 23% (December 2017: 30.2%) which is above the regulatory required ratio of 15%.

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

3. 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 2018

	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	2,819,720,510	2,819,720,510	2,819,720,510	-	-	-
Loans and advances to customers	22	11,455,603,824	11,455,603,824	6,476,757,712	1,542,010,307	1,496,259,134	1,940,576,671
Investment securities	20	191,919,149	191,919,149	23,346,255	168,572,894	-	-
		14,467,243,483	**14,467,243,483**	**9,319,824,477**	**1,710,583,201**	**1,496,259,134**	**1,940,576,671**
Financial liabilities							
Deposits from customers	27	12,209,953,925	12,209,953,925	7,504,044,320	3,687,365,673	1,018,543,932	-
Due to banks	28	472,634,700	472,634,700	-	472,634,700	-	-
Due to related parties	30	1,058,434	1,058,434	1,058,434	-	-	-
Other borrowed funds	32	331,649,193	331,649,193	-	111,086,333	110,281,430	110,281,430
		13,015,296,252	**13,015,296,252**	**7,505,102,754**	**4,271,086,706**	**1,128,825,362**	**110,281,430**
Gap (asset - liabilities)				**1,814,721,723**	**(2,560,503,505)**	**367,433,772**	**1,830,295,241**
Cumulative liquidity gap				**1,814,721,723**	**(745,781,782)**	**(378,348,010)**	**1,451,947,231**

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

3. Financial risk management (continued)

3.5 Liquidity risk (continued)

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

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 related parties	30	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)

3. Financial risk management (continued)

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. Financial risk management (continued)

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 2018		Sensitivity	
	Interest amount	**>2%**	**<2%**
Financial assets			
Cash and cash equivalents	1,911,368	38,227	(38,227)
Loans and advances to customers	1,288,755,242	25,775,105	(25,775,105)
Investment securities	87,546,400	1,750,928	(1,750,928)
	1,378,213,010	**27,564,260**	**(27,564,260)**
Financial liabilities			
Deposits from customers	78,611,984	(1,572,240)	1,572,240
Deposit from banks	5,692,055	(113,841)	113,841
Other borrowed funds	56,886,328	(1,137,727)	1,137,727
	141,190,367	**(2,823,808)**	**2,823,808**

Impact on post tax profit and equity **18,555,340**

December 2017			
	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

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

3. Financial risk management (continued)

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, 2018 and effect of a 15% change in the balances.

December 2018		*USD balances expressed in Liberian dollars equivalent*		
	Note		**>15%**	**<15%**
Financial assets				
Cash and cash equivalents	19	1,569,621,985	235,443,298	(235,443,298)
Investment securities	20	168,573,037	25,285,956	(25,285,956)
Loans and advances to customers	22	11,672,319,671	1,750,847,951	(1,750,847,951)
Other assets	26	195,750,512	29,362,577	(29,362,577)
		13,606,265,205	**2,040,939,782**	**(2,040,939,782)**
Financial liabilities				
Deposits from customers	27	10,416,749,116	1,562,512,367	(1,562,512,367)
Due to banks	28	472,634,700	70,895,205	(70,895,205)
Due to related parties	30	1,058,434	158,765	(158,765)
Other borrowed funds	32	331,649,193	49,747,379	(49,747,379)
Other liabilities	31	464,497,034	69,674,555	(69,674,555)
		11,686,588,477	**1,752,988,271**	**(1,752,988,271)**
Net impact			**287,951,511**	**(287,951,511)**

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

3. Financial risk management (continued)

3.6 Market risk (continued)

3.6.3 Foreign exchange risk (continued)

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)

3.7 Capital management

Regulatory capital
The Bank's lead regulator, the Central Bank of Liberia, sets and monitors capital requirements for the Bank.

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)

3. Financial risk management (continued)

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. The Bank's Capital adequacy ratio as at December 31, 2018 was 16% as compared to 19% reported as at December 31, 2017, which was above the regulatory limit.

In Liberian Dollars

ASSETS	WGTS	AMOUNT	VALUE
Cash & Clearing	0%	462,457,728	-
Balance Held with CBL	0%	1,878,834,615	-
Balance Held with Other Banks in Liberia (Secured)	0%	23,879,328	-
Balance Held with Other Banks Outside Liberia	20%	454,548,839	90,909,768
GOL Bonds	0%	168,572,894	-
Treasury Bills	0%	23,346,255	-
Loans & Advances	100%	11,455,603,824	11,455,603,824
Other Assets	100%	233,196,631	233,196,631
Property and equipment	100%	1,023,642,984	1,023,642,984
Intangibles	100%	27,911,313	27,911,313
Bonds & Guarantees	50%	955,020,779	477,510,389
TOTAL RISK WEIGHTED ASSETS		**16,707,015,189**	**13,308,774,909**

Tier One Capital	
Share Capital	1,062,500,000
Statutory Reserves	187,914,742
Translation Difference	612,016,599
Retained earnings	255,433,676
TOTAL QUALIFYING CAPITAL	**2,117,865,017**
CAPITAL ADEQUACY RATIO	**16%**

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

3. Financial risk management (continued)

3.7 Capital management (continued)

Capital adequacy ratio (continued)

December 2017

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)

4. 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.

(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 differs by +/- 1%, the impairment loss to be estimated at US$ higher/lower.

(ii) 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.

(iii) 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)

5. 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, 2018 the calculations were done. Below is a summary with the difference:

	December 2018	December 2017
IFRS Impairment	**1,076,804,091**	587,788,572
CBL Provision	**1,882,655,340**	531,043,310
Difference	**(805,851,249)**	56,745,262

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 paid L$ 1,408,000 as fined by the Central Bank of Liberia for not meeting the deadline for the automation of the VREG Returns.

6. Interest income

	December 2018	December 2017
Loans and advances to customers	**1,288,755,242**	736,019,459
Cash and cash equivalents	**1,911,368**	14,638,417
Held to maturity	**87,546,400**	149,606,541
	1,378,213,010	900,264,417
Geographical location:		
Interest income earned in Liberia	**1,378,213,010**	900,264,417
Interest income earned outside Liberia	**-**	-
	1,378,213,010	900,264,417

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

7. Interest expense

	December 2018	December 2017
Due to banks	**5,692,055**	-
Deposit from customers	**78,611,983**	57,443,903
Other borrowed funds	**56,886,328**	34,598,602
	141,190,366	92,042,505

Geographical location:

Interest paid in Liberia	**84,304,038**	57,443,903
Interest paid outside Liberia	**56,886,328**	34,598,602
	141,190,366	92,042,505

8. Net impairment losses on financial assets

Loans and advances	**116,391,192**	382,501,214
Write-off of loans and advances	**745,097,655**	-
Investment securities	**(120,496)**	-
Off balance sheet exposures	**(70,965)**	-
	861,297,386	382,501,214

9. Fees and commission income

Credit related fees and commissions	**333,903,447**	338,060,814
Commission on foreign exchange deals	**3,632,933**	3,214,146
Income from financial guarantee contracts issued	**140,841,061**	52,181,766
Commission on transfers	**185,323,907**	64,072,624
Account management charges	**105,255,062**	127,426,620
Other fees and commissions	**131,101,231**	181,253,905
	900,057,641	766,209,875

10. Fee and commission expense

Fee and commission expense	**36,011,986**	18,824,709

11. Net gain on foreign exchange trading

Foreign exchange gains	**9,058,070**	4,901,616

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

12. Other operating income

	December 2018	December 2017
Foreign exchange gain	**47,816,851**	291,460,092
Bad debt recovered	**12,247,603**	-
Profit on disposal of fixed assets (note 24)	**993,406**	894,670
Derivative income	**-**	27,807,307
	61,057,860	320,162,069

13. Personnel expenses

Wages and salaries	**261,121,438**	209,733,148
Contributions to defined contribution plans	**17,056,570**	13,361,426
Other staff cost	**17,348,569**	10,241,415
	295,526,577	233,335,989

The number of persons employed by the Bank as at December 31, 2018 was 118 (2017:129).

14. General and administrative expenses

Stationery and postage	**26,594,948**	32,586,763
Business travel expenses	**5,552,055**	2,198,409
Advert, promotion and corporate gifts	**42,823,867**	24,987,017
Other premises and equipment costs	**104,030,962**	87,336,436
Directors' emoluments	**9,552,339**	8,192,434
Contract services	**177,616,997**	115,181,056
	366,171,168	270,482,114

15. Operating leases

Operating lease expense - office	**49,162,126**	43,244,424

16. Depreciation and amortization

Depreciation of property and equipment	**163,458,067**	111,112,662
Amortization of intangibles	**7,459,863**	4,081,733
	170,917,930	115,194,395

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

17. Other operating expenses

	December 2018	December 2017
Insurance premium paid	**36,610,121**	20,373,454
Consulting and auditing costs	**9,537,945**	4,679,033
Management technical services fees	**11,376,585**	21,415,080
Fuel expense	**71,691,954**	38,330,776
Legal and secretarial expenses	**21,809,078**	4,981,914
Donation & corporate subscription	**10,100,872**	8,972,036
Internet and communication	**51,769,020**	41,436,283
Cash shortage	**4,001,261**	233,855
Others	**114,569,269**	107,555,465
	331,466,105	247,977,896

18. Income tax expense

Current income tax charge (note 23)	**46,967,150**	136,217,100
Deferred income tax charge (note 29)	**61,577,412**	2,654,173
	108,544,562	138,871,273

In line with the Liberia revenue code 2000 (as amended), tax is assessed at the higher of 2% of revenues and 25% of taxable profit. The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	December 2018	December 2017
Profit before income tax	**96,642,937**	587,934,729
Tax calculated at the statutory income tax rate of 25% (2017: 25%)	**24,160,734**	146,983,683
Tax effects of:		
Expenses not deductible/ income not subject to tax	**31,092,135**	(9,990,253)
Adjustment in respect of prior year deferred income tax	**23,570,778**	-
Adjustment in respect of prior year current income tax	**-**	(776,330)
Effect of higher tax on revenue	**22,861,558**	-
Recognition of previously unrecognized deferred income tax	**6,859,357**	2,654,173
Income tax expense	**108,544,562**	138,871,273

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

19. Cash and cash equivalents

	December 2018	December 2017
Cash and balances with banks	**917,006,567**	726,553,577
Balances with Central Bank	**1,878,834,615**	1,370,291,652
Money market placements	**23,879,328**	-
	2,819,720,510	2,096,845,229

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

20. Investment securities

Government bond	**168,573,037**	134,928,612
Treasury bills	**23,349,409**	923,202,786
	191,922,446	1,058,131,398
Impairment	**(3,297)**	**-**
	191,919,149	1,058,131,398
Current	**191,919,149**	1,058,131,398
Non - current	**-**	**-**

21. Derivative assets

	December 2018	December 2017
Derivative 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. They have matured in December 2018.

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

22. Loans and advances to customers

	December 2018	December 2017
Gross loans and advances to customers	**12,532,407,915**	9,825,300,904
Credit Impairments	**(1,076,804,091)**	(587,788,572)
12-month ECL	**(417,586,610)**	-
Lifetime ECL not credit impaired	**(318,952,557)**	-
Lifetime ECL credit impaired	**(340,264,924)**	-
Specific Impairment	**-**	(552,182,120)
Collective Impairment	**-**	(35,606,452)
	11,455,603,824	9,237,512,332

Allowance for impairment

At January 1	**587,788,572**	134,795,802
Opening IFRS 9 adjustment	**372,624,327**	-
Restated balance at January 1	**960,412,899**	134,795,802
Charge for the year	**116,391,192**	532,235,260
Reversal of impairment allowance	**-**	(79,242,490)
At December 31	**1,076,804,091**	587,788,572

23. Current income tax liabilities

Years of assessment	**At January 1**	**Charge for the year**	**Payments during the year**	**At December 31**
Up to 2017	117,243,593	-	-	**117,243,593**
2018	-	46,967,150	(149,411,293)	**(102,444,143)**
	117,243,593	**46,967,150**	**(149,411,293)**	**14,799,450**

Years of assessment	At January 1	Charge for the year	Payment during the year	At December 31
Up to 2016	50,743,462	(776,330)		49,967,132
2017	-	136,993,430	(69,716,969)	67,276,461
	50,743,462	136,217,100	(69,716,969)	117,243,593

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

24. Property and equipment

December 31, 2018	Motor Vehicles	Premises	Furniture & Equipment	Land	Work in Progress	Total
Cost:						
Balance at beginning of the year	135,852,250	561,947,495	596,835,635	251,030	101,570,683	1,396,457,093
Additions	29,792,904	42,672,356	94,056,666	472,635	145,183,852	312,178,412
Disposals	(30,470,893)	-	(4,254,517)	-	-	(34,725,410)
Transfers	16,542,215	124,313,624	111,751,494	-	(252,607,332)	-
Exchange rate effect	24,104,875	140,108,605	146,550,081	64,060	16,798,558	327,626,179
	175,821,351	**869,042,080**	**944,939,358**	**787,725**	**10,945,760**	**2,001,536,274**
Accumulated depreciation:						
Balance at beginning of the year	83,135,614	164,875,980	419,806,233	-	-	667,817,827
Charge for the year	26,204,076	33,571,911	103,682,079	-	-	163,458,066
Disposals	(27,071,096)	-	(4,254,517)	-	-	(31,325,613)
Exchange rate effect	19,386,008	44,649,354	113,907,648	-	-	177,943,010
	101,654,602	**243,097,245**	**633,141,442**	**-**	**-**	**977,893,290**
Carrying amount						
Balance at December 31, 2018	**74,166,749**	**625,944,834**	**311,797,916**	**787,725**	**10,945,760**	**1,023,642,984**

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

24. Property and equipment (continued)

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
Carrying amounts						
Balance at December 31, 2017	52,716,638	397,071,515	177,029,402	251,030	101,570,682	728,639,267
Balance at January 1, 2017	30,670,423	324,634,313	115,176,751	205,000	63,795,067	534,481,554

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

24. Property and equipment (continued)

Profit on disposal of property and equipment

	December 2018	December 2017
Cost	**34,725,410**	23,342,795
Accumulated depreciation	**(31,325,614)**	(23,342,795)
Net book value	**3,399,796**	-
Proceeds	**(4,393,202)**	(894,670)
Profit on disposal	**(993,406)**	(894,670)

25. Intangible asset

	Purchased Software	
	December 2018	December 2017
Cost		
Balance at January 1	**110,825,011**	81,930,698
Additions	**14,966,766**	10,497,874
Exchange rate effect	**28,281,193**	18,396,439
Balance at December 31	**154,072,970**	110,825,011
Accumulated amortization:		
Balance at January 1	**94,104,673**	73,197,016
Amortization for the year	**7,459,863**	4,081,733
Exchange rate effect	**24,597,121**	16,825,924
Balance at December 31	**126,161,657**	94,104,673
Carrying amount:		
Balance at December 31	**27,911,313**	16,720,338

26. Other assets

Accounts receivable	**236,801**	54,163,189
Prepayments	**219,689,113**	219,102,136
Stationery	**9,571,981**	7,351,470
Prepaid Employee Benefit	**3,698,736**	-
	233,196,631	280,616,795
Current	**138,522,707**	182,472,020
Non - current	**94,673,924**	98,144,775

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

27. Deposits from customers

	December 2018	December 2017
Current deposits	**7,504,044,320**	7,374,779,828
Savings deposits	**3,297,810,622**	2,442,631,316
Term deposits	**1,018,543,932**	546,673,019
Call deposits	**389,555,051**	52,402,168
	12,209,953,925	10,416,486,331
Current	**12,209,953,925**	10,416,486,331
Non-current	**-**	-

The twenty largest depositors constitute **50% (**L$6,049,513,027**)** of the total deposits as at the end of December 31, 2018.

28. Due to Banks

Due to Banks	**472,634,700**	188,272,500
Current	**472,634,700**	188,272,500
Non-current	**-**	-

Amount due to banks is the outstanding balance of takings from UBA Liberia Limited and Afriland First Bank Liberia as at December 31, 2018.

29. Deferred income tax liabilities

December 2018	**Asset**	**Liability**	**Net**
Property plant and equipment	-	56,023,331	**56,023,331**
Unrealized exchange gain	-	11,954,213	**11,954,213**
Others	(3,745,959)	-	**(3,745,959)**
	(3,745,959)	**67,977,544**	**64,231,585**

December 2017	Asset	Liability	Net
Property plant and equipment	-	2,654,173	2,654,173
	-	2,654,173	2,654,173

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

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

29. Deferred income tax liabilities (continued)

Movement in deferred income tax liabilities

	December 2018	December 2017
At January 1	**2,654,173**	-
Charge for the year	**61,577,412**	2,654,173
At December 31	**64,231,585**	2,654,173

30. Due to related parties

Due to parent	**1,058,434**	1,230,017

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.

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 2018	December 2017
Prince Saye	**2,100,118**	3,275,628
Cleopatra Bayou	**367,585**	-
Jonathan Toe	**1,467,107**	1,765,063
	3,934,810	5,040,691

ii. Key management personnel compensation
Key management personnel compensation for the year comprises:

Wages and salaries	**41,056,668**	18,186,009
Post-employment benefits	**6,526,208**	4,185,148
	47,582,876	22,371,157

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

31. Other liabilities

	December 2018	December 2017
Customers' deposit for foreign trade	**191,507,232**	39,698,185
Certified cheques	**115,304,873**	55,181,049
Other current liabilities	**179,663,632**	433,474,797
Payables on employee benefits	**3,341,104**	31,563,287
Liability for defined contribution obligations	**49,985,266**	35,512,182
	539,802,107	595,429,500
Current	**489,816,841**	559,917,318
Non-current	**49,985,266**	35,512,182

32. Other borrowed funds

Due to Proparco	**331,649,193**	439,716,934
Current	**221,367,763**	175,721,000
Non-current	**110,281,430**	263,995,934

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.

Movement in other borrowed funds

	December 2018	December 2017
Balance as at January 1	**439,716,934**	507,608,604
Repayments during the year:		
-Principal	**(213,693,550)**	(62,947,500)
-Interest	**(33,103,920)**	(28,201,832)
Interest accrued	**31,700,280**	29,348,942
Translation difference	**107,029,449**	(6,091,280)
Balance as at December 31	**331,649,193**	439,716,934

33. Capital and reserves

Share Capital

The authorized 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**

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

33. Capital and reserves (continued)

Share Capital (continued)
The stated capital did not change during the year ended December 31, 2017 and December 31, 2018. There is no unpaid liability on any shares and there are no treasury shares.

Retained Earnings
Retained earnings are the carried forward recognized income net of expenses plus current year profit or loss attributable to shareholders.

Statutory Reserves
Liberian banking regulations require the Bank to make an annual appropriation from profit for the year to a statutory reserve as stipulated by Section 15 (1) (a) of the Financial Institution Act of 1999. There was no transfer for the year ended December 31, 2018 as a result of the loss reported.

Translation Reserves
This is as the result of translating balances from the functional currency (US Dollars) to the reporting currency (Liberian Dollars) at different rates i.e. balance sheet items and profit and loss (P&L) items. The amount reported as "Other component of equity" is the sum of the closing balances of the statutory reserves and the translation reserves.

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 less than CBL prudential regulation by L$ 805,851,249 **(**2017: L$ 56,745,262 more**)**.

Impairment as per CBL prudential guidelines

December 2018

Category	Gross Amount	%	%	Provision
Performing-Current	**6,829,076,243**	**54**	1%	**68,006,295**
OLEM	**2,742,686,635**	**22**		**137,134,332**
Non-performing	**2,960,645,037**	**24**		**1,677,514,713**
Substandard	1,408,923,915	11	20%	281,784,783
Doubtful	311,982,386	3	50%	155,991,193
Loss	1,239,738,737	10	100%	1,239,738,737
	12,532,407,915	**100**		**1,882,655,340**
Loans and advances (Net)	**10,649,752,575**			
NPL Ratio	**24%**			

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

34. Central Bank of Liberia Prudential Regulation and IFRS Impairment (continued)

December 2017

Category	Gross Amount	%	%	Provision
Performing-Current	8,980,449,327	91	1%	89,804,493
Non-performing	844,851,576	9		441,238,816
OLEM	67,729,232	1	5%	3,386,462
Substandard	49,741,547	1	20%	9,948,309
Doubtful	598,953,505	6	50%	299,476,752
Loss	128,427,293	1	100%	128,427,293
	9,825,300,904	100		531,043,310
Loans and advances (Net)	9,294,257,594			
NPL Ratio	9%			

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

December 2018

The impairment losses under IFRS is lower than the provision calculated in accordance with the CBL/RSD/005/2014 prudential guideline by L$805,851,249. When adjusted for regulatory provisions, the bank's profits and capital are (L$709,208,312) and L$1,312,013,768 respectively.

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.