Guaranty Trust Bank (Liberia) Ltd

GUARANTY TRUST BANK (LIBERIA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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CORPORATE INFORMATION

Board of Directors	Opral Mason Benson (Chairman) Ikenna Anekwe (Managing Director) Demola Odeyemi (Non-Executive) George Uwakwe (Non-Executive) Ernest C.B. Jones (Independent) Richard Tolbert (Independent) Dr. Ophelia I. Weeks (Independent)
Registered Office	Guaranty Trust Bank (Liberia) Limited 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

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, 2019.

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 incorporated in the Federal Republic of Nigeria and listed 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 Directors responsibility

The Board of Directors has the following responsibilities regarding the financial statements. The Board;

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

2. 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 and in particular ensures that;

   a. the accounting records of the Bank are satisfactorily maintained, and its financial statements presented in accordance with IFRS;

   b. applicable accounting standards are 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. shall be responsible to put in place the relevant mechanism for safeguarding the assets of the Bank and take reasonable steps for the prevention of fraud and other forms of irregularities, and for prompt detection of these if they should nonetheless occur.

4. 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.

The Articles of Incorporation of Guaranty Trust Bank (Liberia) Limited also authorise 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

There were no changes on the Board during the financial year.

Going concern

We have no plans or intentions, for example to dispose of the business or cease operations that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Operating results

A highlight of the Bank's performance for the year ended December 31, 2019 is summarised in the table below:

	2019	2018
	L$ '000	L$ '000
Gross earnings	**2,663,087**	2,348,387
Profit before income tax	**496,575**	96,643
Income tax expense	**(207,896)**	(108,545)
Profit/(loss) for the year	**288,679**	(11,902)

pp Ophelia Dufecks

Mrs. Opral Mason Benson

Chairperson 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, 2019, 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 Company Law (2002) *and the* New Financial Institutions 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, 2019.

The financial statements comprise:

the statement of financial position as at December 31, 2019;

the statement of comprehensive income for the year then ended;

the statement of changes in equity for the year then ended;

the statement of cash flows for the year then ended; and

the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

The directors are responsible for the other information. The other information comprises the Report of the Directors but does not include the 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.

Other information (continued)

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 Company Law (2002) and the New Financial Institutions 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 judgement 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;

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 Company 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
March 2, 2020

STATEMENT OF FINANCIAL POSITION

(All amounts are in Liberian dollars)

	Note	As at December 31 **2019**	2018
Assets			
Cash and cash equivalents	17	**3,902,798,337**	2,819,720,510
Investment securities	18	**585,624,199**	191,919,149
Loans and advances to customers	19	**12,574,860,525**	11,455,603,824
Property and equipment	20	**1,355,970,324**	1,023,642,984
Intangible assets	21	**34,598,018**	27,911,313
Right-of-use assets	23	**330,984,881**	-
Other assets	22	**875,101,835**	233,196,631
Total assets		**19,659,938,119**	15,751,994,411
Liabilities			
Deposits from customers	24	**15,681,765,366**	12,209,953,925
Due to banks	25	**-**	472,634,700
Due to related parties	27	**28,496,606**	1,058,434
Current income tax liabilities	16	**83,404,941**	14,799,450
Deferred tax liabilities	26	**143,222,455**	64,231,585
Lease liabilities	23	**263,227,750**	-
Other liabilities	28	**431,895,470**	539,802,107
Other borrowed funds	29	**132,510,459**	331,649,193
Total liabilities		**16,764,523,047**	13,634,129,394
Equity			
Share capital	30	**1,062,500,000**	1,062,500,000
Retained earnings	30	**500,810,814**	255,433,676
Other components of equity	30	**1,332,104,258**	799,931,341
Total equity attributable to owners of the Bank		**2,895,415,072**	2,117,865,017
Total liabilities and equity		**19,659,938,119**	15,751,994,411

The notes on pages 13 to 76 are an integral part of these financial statements.

The financial statements on pages 8 to 75 were signed on behalf of the Board by:

pp ....
Chairperson of the Board

....
Managing Director

....
Company Secretary

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

	Note	**Year ended December 31** **2019**	2018
Interest income	5	**1,507,700,786**	1,378,213,010
Interest expense	6	**(151,657,188)**	(141,190,366)
Net interest income		**1,356,043,598**	1,237,022,644
Fee and commission income	8	**1,150,098,774**	900,057,641
Fee and commission expense	9	**(29,524,520)**	(36,011,986)
Net fee and commission income		**1,120,574,254**	864,045,655
Net trading income	10	**8,760,331**	9,058,070
Other (expenses)/income	11	**(3,472,781)**	61,057,860
Other income		**5,287,550**	70,115,930
Operating income		**2,481,905,402**	2,171,184,229
Personnel expenses	12	**(388,506,401)**	(295,526,577)
Impairment loss on financial assets	7	**(365,010,468)**	(861,297,386)
Operating lease expense	14	**-**	(49,162,126)
Depreciation and amortisation	15	**(255,674,223)**	(170,917,930)
Other operating expenses	13	**(976,139,518)**	(697,637,273)
Profit before income tax		**496,574,792**	96,642,937
Income tax expense	16	**(207,895,806)**	(108,544,562)
Profit/(loss) for the year		**288,678,986**	(11,901,625)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange difference on translation from US dollars to Liberian dollars		**488,871,069**	465,950,456
Total comprehensive income attributable to equity holders of the Bank		**777,550,055**	454,048,831

The notes on pages 13 to 75 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are in Liberian dollars)

	Note	**Year ended December 31** **2019**	2018
Cash flows from operating activities			
Profit before income tax		**496,574,792**	96,642,937
Adjustments for:			
Depreciation and amortisation	15	**255,674,223**	170,917,930
Gains on disposal of property and equipment	20	**(1,874,375)**	(993,406)
Interest expense and exchange loss on borrowings		**93,738,066**	138,729,729
Interest expense and exchange loss on lease liabilities		**60,874,067**	-
Initial application of IFRS 16	16	**(57,267,424)**	-
Changes in:			
Loans and advances to customers		**(1,119,256,701)**	(2,218,091,492)
Derivative asset		**-**	379,249,307
Other assets		**(641,905,204)**	47,420,164
Due to banks		**(472,634,700)**	284,362,200
Deposits from customers		**3,471,811,441**	1,793,467,594
Due to related parties		**27,438,172**	(171,583)
Other liabilities		**(107,906,637)**	(55,627,393)
Interest paid	29	**(25,496,365)**	(33,103,920)
Income tax paid	16	**(60,299,445)**	(149,411,293)
Net cash inflow from operating activities		**1,919,469,910**	453,390,774
Cash flows from investing activities			
Net (purchases of)/proceeds from investment securities		**(393,705,050)**	866,312,249
Purchase of property and equipment	20	**(373,281,725)**	(312,178,412)
Purchase of intangible assets	21	**(13,306,812)**	(14,966,766)
Proceeds from the disposal of property and equipment	20	**1,874,375**	4,393,202
Net cash (outflow)/inflow from investing activities		**(778,419,212)**	543,560,273
Cash flows from financing activities			
Finance lease payments		**(98,729,730)**	-
Principal repayment of debt	30	**(267,380,435)**	(213,693,550)
Net cash outflow from financing activities		**(366,110,165)**	(213,693,550)
Net increase in cash and cash equivalents		**774,940,533**	783,257,497
Cash and cash equivalents at beginning of year		**2,819,720,510**	2,096,845,229
Effect of exchange rate fluctuations		**308,137,294**	(60,382,216)
Cash and cash equivalents at the end of the year	17	**3,902,798,337**	2,819,720,510

The notes on pages 13 to 75 are an integral part of these financial statements

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

Year ended December 31 2019	Note	**Share capital**	**Statutory reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Total**
At January 1, 2019		**1,062,500,000**	**187,914,742**	**612,016,599**	**255,433,676**	**2,117,865,017**
Profit for the year		-		-	288,678,986	**288,678,986**
Other comprehensive income						
Foreign currency translation difference	30	-	-	488,871,069	-	**488,871,069**
Total comprehensive income		-	-	**488,871,069**	**288,678,986**	**771,747,139**
Transfer to statutory reserve		-	43,301,848	-	(43,301,848)	**-**
At December 31, 2019		**1,062,500,000**	**231,216,590**	**1,100,887,668**	**500,810,814**	**2,895,415,072**

The notes on pages 13 to 75 are an integral part of these financial statements.

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

Year ended December 31 2018	Note	Share capital	Statutory reserve	Foreign currency translation reserve	Retained earnings	Total
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 year		-		-	(11,901,625)	(11,901,625)
Other comprehensive income						
Foreign currency translation difference	30	-	-	465,950,456	-	465,950,456
Total comprehensive income		-	-	465,950,456	(11,901,625)	454,048,831
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 75 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 service.

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 Bank's accounting policies.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(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 recognised 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

(i) New and amended standards and interpretations adopted by the Bank

IFRS 16 – Leases

The Bank has adopted IFRS 16 Leases retrospectively from January 1, 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on January 1, 2019. The Bank has used the simplified retrospective approach hence there is no impact on the income statement as at the transition date. The new accounting policies are disclosed in Notes 2.7 and 23.

IFRS 16 affected primarily the accounting by lessees and resulted in the recognition of almost all leases on the balance sheet. The standard removed the current distinction between operating and financing leases and required recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss is also affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense is replaced with interest and depreciation, so key metrics like EBITDA changed.

Operating cash flows is higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest continues to be presented as operating cash flows.

On adoption of IFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of January 1, 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6% for United States Dollar denominated lease liabilities. No leases were previously classified as finance lease by the Bank.

Practical expedients applied

In applying IFRS 16 for the first time, the Bank has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at January 1, 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTES (continued)

2. Significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(i) New and amended standards and interpretations adopted by the Bank (continued)

IFRS 16 – Leases (continued)

The Bank has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Bank relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Measurement of lease liabilities

	2019
Operating lease commitments disclosed as at December 31, 2018	**545,738,317**
Discounted using the lessee's incremental borrowing rate	**323,620,238**
Add: additional finance lease liabilities recognised on January 1, 2019	**-**
Less: short-term leases not recognised as a liability	**(19,997,275)**
Less: low-value leases not recognised as a liability	**(2,539,549)**
Total lease liability recognised as at January 1, 2019	**301,083,414**
Of which are:	
Current lease liabilities	**37,855,664**
Non-current lease liabilities	**263,227,750**
	301,083,414

Measurement of right of use assets

The right-of use assets is measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at December 31, 2018.

Adjustments recognised in the balance sheet on January 1, 2019

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- right-of-use assets – increase by LRD 358,350,838
- prepayments – decrease by LRD 57,267,424
- lease liabilities – increase by LRD 301,083,414

NOTES (continued)

2. Significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(i) New and amended standards and interpretations adopted by the Bank (continued)

Amendments to IAS 19

This amendment was issued on February 7, 2018 and became effective January 1, 2019. It prescribes the accounting for all types of employee benefits except share-based payment, to which IFRS 2 applies. Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment. IAS 19 requires an entity to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the entity consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits.

The amendments clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

IFRIC 23 – Uncertainty over Income Tax Treatments

This standard which became effective January 1 2019, clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over tax treatments under IAS 12. The Bank has considered the guidance included within the interpretation and concluded that the prescribed approach does not have a material impact on the Bank.

Amendments to IFRS 2 - Share Based Payment – Classification and measurement of share-based payment transactions

This standard clarifies classification and measurement of share-based payment transactions with net settlement features for withholding tax obligations (i.e. equity settled share-based payment for employees and cash settled share-based payment for withholding taxes). It grants an exemption to alleviate operational issues encountered in dividing the share-based payment into cash-settled and equity-settled component. The amendments also clarify modifications to terms and conditions that change classifications from cash-settled to equity-settled as well as application of non-market vesting conditions and market non-vesting conditions. These amendments do not have any material impact on the Bank.

NOTES (continued)

2. Significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(ii) 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 for annual periods beginning on or after January 1, 2019:

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.

Amendments to IFRS 3 – Business Combination

IFRS 3 (Business Combinations) outlines the accounting when an acquirer obtains control of a business (e.g an acquisition or a merger). In October 2018, after the post-implementation review of IFRS 3, the IASB issued an amendment to IFRS 3 which centers majorly on the definition of a Business.

The standard provides that to be considered a business, an acquired set of activities must include, at minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The standard also added an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The effective date is on or after January 1, 2020.

Amendment to IAS 1 and IAS 8

In October 2018, the IASB issued the definition of 'material'. The amendments are intended to clarify, modify and ensure that the definition of 'material' is consistent across all IFRS. in IAS 1 (Presentation of Financial Statements) and IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors),* the revised definition of 'material' is quoted below:

"An information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity".

The amendments laid emphasis on five (5) ways material information can be obscured. These include:

- If the language regarding a material item, transaction or other event is vague or unclear;
- If information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- If dissimilar items, transactions or other events are inappropriately aggregated;
- If similar items, transactions or other events are inappropriately disaggregated; and
- If material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

NOTES (continued)

2. Significant accounting policies (continued)

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 recognised 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 and calculated on an effective interest rate basis.

2.5 Fees and commission

Fees and commission that are integral to the effective interest rate on a financial asset are included in the measurement of the effective interest rate. 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.

NOTES (continued)

2 Significant accounting policies (continued)

2.7 Leases

The Bank has changed its accounting policy for leases where the Bank is the lessee. The new policy is described below and the impact of the change in Notes 2.2 and 23.

Until December 31, 2018. leases of property and equipment where the Bank, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Bank will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Bank as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

The Bank leased various offices, branches and other premises under non-cancellable operating lease arrangements. The lease typically ran for a period of up to five years with an option to renew the lease after that date. The lease rentals were paid in advance and amortised on a straight -line basis over the lease period. The outstanding balance was accounted for as a prepayment in other assets. Lease payments are increased every five years to reflect market rentals.

The Bank's leasing activities and how these are accounted for under IFRS 16

The Bank's leasing activities are similar to those described above. Rental contracts are typically made for fixed periods of 5 years but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

From January 1 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on a rate, initially measured as at the commencement date;
- amounts expected to be payable by the Bank under residual value guarantees;
- the exercise price of a purchase option if the Bank is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

NOTES (continued)

2 Significant accounting policies (continued)

2.7 Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Bank:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Right-of-use buildings held by the Bank under IFRS 16 are not revalued.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise residential premises for management.

Extension and termination options are included in a number of property and equipment leases across the Bank. These are used to maximise operational flexibility in terms of managing the assets used in the Bank's operations. The majority of extension and termination options held are exercisable only by the Bank and not by the respective lessor.

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 recognised 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.

NOTES (continued)

2 Significant accounting policies (continued)

2.8 Income tax and deferred income tax (continued)

(a) Current income tax (continued)

Where the Bank has tax losses that can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position. The Bank evaluates positions stated in tax returns; ensuring information disclosed are in agreement with the underlying tax liability, which has been adequately provided for in the financial statements.

(b) 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 realized 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 recognises 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 recognised on the settlement date. All other financial assets and liabilities, including derivatives, are initially recognised 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 recognised 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

NOTES (continued)

2 Significant accounting policies (continued)

2.9 Financial assets and liabilities (continued)

(b) Classification and measurement (continued)

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 amortised cost using the effective interest rate method. Amortised 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. Amortisation is included in interest income in the Statement of Comprehensive Income. Impairment on financial assets measured at amortised cost is calculated using the expected credit loss approach.

Loans and debt securities measured at amortised cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

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 recognised 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 amortised cost of the debt instrument are recognised in the Statement of Comprehensive Income. Premiums, discounts and related transaction costs are amortised over the expected life of the instrument to Interest income in the Statement of Comprehensive Income using the effective interest rate method.

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 recognised immediately in the Statement of Comprehensive Income as part of Non-interest income. Realized and unrealized gains and losses are recognised as part of Non-interest income in the Statement of Comprehensive Income.

Debt instruments

The Bank classifies all of its debt instruments 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)

Debt instruments (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 realising 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; and
- 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.

NOTES (continued)

2 Significant accounting policies (continued)

2.9 Financial assets and liabilities (continued)

(b) Classification and measurement (continued)

Debt instruments (continued)

Cash flow characteristics assessment (continued)

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.

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 recognised as part of 'Other 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 derecognised/sold are recorded in OCI and are not subsequently reclassified to the Statement of Comprehensive Income. Dividends received are recorded in 'Other 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.

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 amortised cost using the effective interest rate method. Financial liabilities measured at amortised 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'.

NOTES (continued)

2. Significant accounting policies (continued)

2.9. Financial assets and liabilities (continued)

(d) Modification of 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 derecognised and a new financial asset is recognised at fair value.

Any difference between the amortised 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 amortised cost. If the cash flows of the modified asset carried at amortised 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 recognises 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.

(e) De-recognition of financial instruments

Financial assets

The Bank derecognises 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 recognises 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 recognise the financial asset and also recognises a collateralised 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 recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. The Bank derecognises 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 recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

NOTES (continued)

2 Significant accounting policies (continued)

2.9. Financial assets and liabilities (continued)

(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 amortised 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 recognised 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 group of similar transactions such as in the Bank's trading activity.

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 amortised cost in the Statement of Financial Position.

2.11 Property and equipment

Recognition and measurement

The Bank recognises 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 the bank 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.

NOTES (continued)

2. Significant accounting policies (continued)

2.11 Property and equipment (continued)

Recognition and measurement (continued)

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

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.

NOTES (continued)

2. Significant accounting policies (continued)

2.12 Intangible assets – software (continued)

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 pro-rata basis.

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

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

2.14 Deposit

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

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 recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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 recognises no provision for future operating losses.

NOTES (continued)

2. Significant accounting policies (continued)

2.15 Provisions (continued)

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.

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.

NOTES (continued)

2. Significant accounting policies (continued)

2.18 Share capital and reserves (continued)

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.

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 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
- Criticised 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 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:

- Institutionalisation of sound credit culture in the Bank
- Maintenance of an efficient loan portfolio
- 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.

3.3.1 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.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.1 Management of credit risk (continued)

- *Developing and maintaining the Bank's risk grading*s 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 the Bank's credit policies and procedures, with credit approval authorised by the Board Credit Committee.

3.3.2 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.

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.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.2 Credit risk measurement (continued)

Expected Credit Loss impairment model (continued)

- 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 derecognised 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.
- 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 realisation of any collateral. It is usually expressed as a percentage of the EAD.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.2 Credit risk measurement (continued)

Measurement of expected credit losses (continued)

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.

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)

3.3 Credit risk (continued)

3.3.2 Credit risk measurement (continued)

Assessment of significant increase in credit risk (SICR) (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 amortised 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 another financial reorganisation;
- 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; and
- 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 specialised 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.
- 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)

3.3 Credit risk (continued)

3.3.2 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 amortised 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 recognised 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 recognised 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).

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 recognised as income on a cash basis only.

3.3.3 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.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.3 Risk limit control and mitigation policies (continued)

(a) Lending limits (continued)

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

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

The deposit required for all cash collateralised 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.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.3 Risk limit control and mitigation policies (continued)

(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; and
  - 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.

(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 the arrangement.

NOTES (continued)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.3 Risk limit control and mitigation policies (continued)

(c) Master netting arrangements (continued)

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

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.

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.4 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	**2019**	2018
Classification		
Cash and cash equivalents:		
- Balances held with other banks	**201,975,160**	454,548,839
- Balances with Central Bank	**2,459,130,050**	1,878,834,615
- Money market placements	**377,304,306**	23,879,328
Investment securities:		
- Held at amortised cost	**585,624,199**	191,919,149
Loans and advances to customers:		
- Loans to individuals	**2,335,751,766**	2,356,659,735
- Loans to non-individuals	**10,239,108,759**	9,098,944,089
Other assets[1]	**727,224,663**	236,801
Total	**16,926,118,903**	14,005,022,556
Loans exposure to total exposure	**74%**	82%
Other exposure to total exposure	**26%**	18%

[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.

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

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

Maximum exposure	**2019**	2018
Financial guarantees	639,706,046	343,577,348
Letters of credit	1,063,918,416	611,443,431
	1,703,624,462	955,020,779

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.4 Credit risk exposures (continued)

The Bank's financial assets are categorised under IFRS 9 as follows:

(a) Stage 1:

Stage 1 financial assets 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.

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:

Stage 2 financial assets 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.

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.

(c) Stage 3:

Stage 3 financial assets 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.

The table below shows the Bank's maximum exposure to credit risks categorised in the various stages.

At December 31 2019	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents:	3,038,984,113	-	-	**3,038,984,113**
Investment securities	585,703,269	-	-	**585,703,269**
Loans and advances to customers	9,536,621,634	2,242,887,818	2,269,107,784	**14,048,617,236**
Other assets (less prepayments)	727,224,663	**-**	**-**	**727,224,663**
Gross carrying amount	**13,888,533,679**	**2,242,887,818**	**2,269,107,784**	**18,400,529,281**
Loss allowance	(371,002,389)	(142,741,678)	(960,666,311)	**(1,474,410,378)**
Carrying amount	**13,517,531,290**	**2,100,146,140**	**1,308,441,473**	**16,926,118,903**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.4 Credit risk exposures (continued)

At December 31 2018	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	2,357,262,782	-	-	2,357,262,782
Investment securities	191,922,446	-	-	191,922,446
Loans and advances to customers	6,181,938,340	3,361,273,046	2,989,196,529	12,532,407,915
Other assets (less prepayments)	236,801	-	-	236,801
Gross carrying amount	8,731,360,369	3,361,273,046	2,989,196,529	15,081,829,944
Loss allowance	(417,589,907)	(318,952,557)	(340,264,924)	(1,076,807,388)
Carrying amount	8,313,770,462	3,042,320,489	2,648,931,605	14,005,022,556

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 categorised 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.

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

At December 31 2019	**Liberia**	**Outside Africa**	**Total**
Classification			
Cash and cash equivalents:			
- Balances held with other banks	-	201,975,160	**201,975,160**
- Balances with Central banks	2,459,130,050	-	**2,459,130,050**
- Money market placements	-	377,304,306	**377,304,306**
Investment securities:			
- Held at amortised cost	585,624,199	-	**585,624,199**
Loans and advances to customers:			
- Loans to individuals	2,335,751,766	-	**2,335,751,766**
- Loans to non-individuals	10,239,108,759	-	**10,239,108,759**
Other assets (less prepayments)	727,224,663	-	**727,224,663**
Total	**16,346,839,437**	**579,279,466**	**16,926,118,903**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.4 Credit risk exposures (continued)

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

Geographical region (continued)

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

At December 31 2018	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	23,879,328	-	23,879,329
Investment securities:			
- Treasury bills	23,349,409	-	23,349,409
- Government Bond	168,569,740	-	168,569,740
Loans and advances to customers:			
- Loans to individuals	2,356,659,735	-	2,356,659,735
- Loans to non-individuals	9,098,944,089	-	9,098,944,089
Other assets (less prepayments)	236,801	-	236,801
Total	13,550,473,717	454,548,839	14,005,022,556

[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.

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

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

At December 31 2019	**Liberia**	**Outside Africa**	**Total**
Financial guarantees	639,706,046	-	**639,706,046**
Letters of credit	1,063,918,416	-	**1,063,918,416**
	1,703,624,462	-	**1,703,624,462**

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

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Credit risk (continued)

3.3.4 Credit risk exposures (continued)

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

Geographical region (continued)

(iii) Credit risk exposures relating to Off-Balance Sheet (continued)

At December 31 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

3.3.5 Loans and advances

Loans and advances are summarised as follows:

At December 31 2019	**Loans to Individual**	**Loans to non-Individual**	**Total**
Loans	2,054,187,452	3,471,992,911	**5,526,180,363**
Overdrafts	288,322,705	3,722,118,566	**4,010,441,271**
Stage 1 – 12-month ECL	**2,342,510,157**	**7,194,111,477**	**9,536,621,634**
Loans	108,823,946	927,547,208	**1,036,371,154**
Overdrafts	5,580,618	1,200,936,046	**1,206,516,664**
Stage 2 - Lifetime ECL not credit impaired	**114,404,564**	**2,128,483,254**	**2,242,887,818**
Loans	212,316,091	1,698,660,415	**1,910,976,506**
Overdrafts	37,486,115	320,645,163	**358,131,278**
Stage 3 – Non-performing Loans	**249,802,206**	**2,019,305,578**	**2,269,107,784**
Total gross loans and advances	**2,706,716,927**	**11,341,900,309**	**14,048,617,236**

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

3. Financial risk management (continued)

3.3 Credit risk (continued)

3.3.5 Loans and advances (continued)

The impairment allowance on loans is further analysed as follows:

At December 31 2019	**Loans to Individual**	**Loans to non-Individual**	**Total**
Loans	147,267,626	46,517,682	**193,785,308**
Overdrafts	47,723,706	128,839,708	**176,563,414**
Stage 1 – 12-month ECL	**194,991,332**	**175,357,390**	**370,348,722**
Loans	12,044,036	19,060,033	**31,104,069**
Overdrafts	651,625	110,985,984	**111,637,609**
Stage 2 - Lifetime ECL not credit impaired	**12,695,661**	**130,046,017**	**142,741,678**
Loans	129,136,695	695,992,443	**825,129,138**
Overdrafts	34,141,473	101,395,700	**135,537,173**
Stage 3 - Non performing loans	**163,278,168**	**797,388,143**	**960,666,311**
Total allowance	**370,965,161**	**1,102,791,550**	**1,473,756,711**

At December 31 2018	**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	2,083,685,178	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

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

3. Financial risk management (continued)

3.3 Credit risk (continued)

3.3.5 Loans and advances (continued)

The impairment allowance on loans is further analysed as follows:

At December 31 2018	Loans to Individual	Loans to non-Individual	Total
Loans	57,441,173	15,061,974	72,503,147
Overdrafts	78,182,974	266,887,474	345,070,448
Stage 1 - 12 month ECL	135,624,147	281,949,448	417,573,595
Loans	19,474,647	16,572,989	36,047,636
Overdrafts	1,423,007	281,481,914	282,904,921
Stage 2 - Lifetime ECL not credit impaired	20,897,654	298,054,903	318,952,557
Loans	26,284,173	85,071,280	111,355,453
Overdrafts	4,348,669	224,573,817	228,922,486
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

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:

At December 31 2019	**Gross Loans**	**Collateral**
Against Stage 1 Loans and Advances	9,536,621,634	22,973,519,729
Against Stage 2 Loans and Advances	2,242,887,818	1,886,798,442
Against Stage 3 Loans and Advances	2,269,107,784	3,531,495,384
Total	**14,048,617,236**	**28,391,813,555**

At December 31 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)

3.3 Credit risk (continued)

3.3.5 Loans and advances (continued)

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

At December 31 2019	**Term Loans**	**Overdrafts**	**Total**
Against Stage 1 Loans and advances:			
Property	17,668,919,036	2,222,255,417	19,891,174,453
Others #	2,924,583,995	157,761,281	3,082,345,276
Total	**20,593,503,031**	**2,380,016,698**	**22,973,519,729**
Against Stage 2 Loans and advances:			
Property	1,700,501,037	97,740,771	1,798,241,808
Others #	88,556,634	-	88,556,634
Total	**1,789,057,671**	**97,740,771**	**1,886,798,442**
Against Stage 3 Loans and advances:			
Property	1,183,608,189	1,438,297,838	2,621,906,027
Others #	687,066,821	222,522,536	909,589,357
Total	**1,870,675,010**	**1,660,820,374**	**3,531,495,384**
Grand total	**24,253,235,712**	**4,138,577,843**	**28,391,813,555**

#Others include lien on equipment, counter indemnity, cash collateral etc.

At December 31 2018	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 lien on equipment, counter indemnity, cash collateral, etc.

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

3. Financial risk management (continued)

3.3 Credit risk (continued)

3.3.5 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:	**2019**	2018
TYPE		
Loans	**6,491,875,404**	4,359,376,341
Overdrafts	**5,063,345,430**	5,212,386,537
Past Due Loans	**2,493,396,402**	2,960,645,037
Total Gross Loans	**14,048,617,236**	12,532,407,915
Collective Impairment	**(513,090,400)**	(736,539,167)
Specific Impairment	**(960,666,311)**	(340,264,924)
	12,574,860,525	11,455,603,824
PERFORMANCE		
Performing	**11,779,509,452**	9,571,762,878
Impaired	**2,269,107,784**	2,960,645,037
Total Gross Loans	**14,048,617,236**	12,532,407,915
CUSTOMER		
Individual	**2,736,530,589**	2,808,890,866
Private Corporation & Business	**10,603,319,801**	9,202,013,860
Central and other level of Government	**708,766,846**	521,503,189
Total Gross Loans	**14,048,617,236**	12,532,407,915
SECTOR		
Agriculture, Fishery & Forestry	**973,753,325**	667,762,672
Mining & Quarry	**457,456,834**	313,753,931
Manufacturing	**250,630,087**	430,995,881
Communication	**234,722,654**	249,773,919
Transportation	**269,143,540**	78,837,557
Oil & Gas	**1,970,962,460**	2,059,572,510
Government of Liberia	**708,766,847**	521,529,968
Others	**9,183,181,489**	8,210,181,477
Total Gross Loans	**14,048,617,236**	12,532,407,915

NOTES (continued)

3. Financial risk management (continued)

3.4 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.

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.

(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, 2019 was 24% (2018: 23%) which is above the regulatory required ratio of 15%.

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

3. Financial risk management (continued)

3.4 Liquidity risk (continued)

The following table shows the undiscounted cash flows on the Bank's financial assets and liabilities and on the basis of their earliest possible contractual maturity.

At December 31 2019	Carrying amount	Gross nominal inflow/outflow	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Financial assets							
Cash and cash equivalents	3,902,798,337	3,905,719,681	3,525,494,031	380,225,650	-	-	-
Investment securities	585,624,199	642,567,499	86,921,120	9,748,182	90,983,033	372,055,616	82,859,548
Loans and advances to customers	12,574,860,525	14,945,245,889	8,698,580,806	1,126,489,499	1,482,053,926	3,588,386,020	49,735,638
Other assets	727,224,663	727,224,663	717,837,663	-	9,387,000	-	-
Total financial assets held for managing liquidity risk	**17,790,507,724**	**20,220,757,732**	**13,028,833,620**	**1,516,463,331**	**1,582,423,959**	**3,960,441,636**	**132,595,186**
Financial liabilities							
Deposits from customers	15,681,765,366	15,689,109,446	15,614,765,691	-	74,343,755	-	-
Due to related parties	28,496,606	28,496,606	28,496,606	-	-	-	-
Lease liabilities	263,227,750	506,389,694	-	-	-	120,817,261	385,572,433
Other borrowed funds	132,510,459	136,427,124	-	136,427,124	-	-	-
Other liabilities	431,895,470	431,895,470	431,895,470-	-	-	-	-
Total financial liabilities	**16,537,895,651**	**16,792,318,340**	**15,643,262,297**	**136,427,124**	**74,343,755**	**120,817,261**	**385,572,433**
Gap (asset - liabilities)			**- (2,614,428,677)**	**1,380,036,207**	**1,508,080,204**	**3,839,624,375**	**(252,977,247)**

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

3. Financial risk management (continued)

3.4 Liquidity risk (continued)

At December 31 2018	Carrying amount	Gross nominal inflow/outflow	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years
Financial assets							
Cash and cash equivalents	2,819,720,510	2,820,055,997	2,820,055,997	-	-	-	-
Investment securities	191,919,149	192,142,807	192,142,807	-	-	-	-
Loans and advances to customers	12,532,407,615	13,901,479,544	7,088,226,642	2,153,479,237	2,107,728,064	2,552,045,601	-
Other assets	236,801	236,801	236,801	-	-	-	-
Total assets held for managing liquidity risk	15,544,284,075	16,913,915,150	10,100,662,248	2,153,479,237	2,107,728,064	2,552,045,601	-
Financial liabilities							
Deposits from banks	472,634,700	477,001,849	-	477,001,849	-	-	-
Deposits from customers	12,209,953,925	12,215,830,348	7,509,151,059	3,688,135,357	1,018,543,932	-	-
Due to related parties	1,058,434	1,058,434	1,058,434	-	-	-	-
Other borrowed funds	331,649,193	398,179,110	-	121,503,900	132,726,370	143,948,840	-
Other liabilities	539,802,107	539,802,107	539,802,107	-	-	-	-
Total financial liabilities	13,555,098,359	13,631,871,848	8,050,011,600	4,286,641,106	1,151,270,302	143,948,840	-
Gap (asset - liabilities)			2,050,650,648	(2,133,161,869)	956,457,762	2,408,096,761	-

NOTES (continued)

3. Financial risk management (continued)

3.5 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. 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.

3.5.1 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.

3.5.2 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 The Bank makes use of limit monitoring, earnings-at-risk, gap analyses and scenario analysis 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.

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

3. Financial risk management (continued)

3.5 Market risk (continued)

3.5.2 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:

At December 31 2019		Sensitivity	
	Interest amount	**>2%**	**<2%**
Financial assets			
Cash and cash equivalents	8,102,244	162,045	(162,045)
Loans and advances to customers	1,481,236,263	29,624,725	(29,624,725)
Investment securities	18,362,279	367,246	(367,246)
	1,507,700,786	**30,154,016**	**(30,154,016)**
Financial liabilities			
Deposits from customers	100,454,005	(2,009,080)	2,009,080
Other borrowed funds	29,687,301	(593,746)	593,746
Lease liabilities	21,515,882	(430,318)	430,313
	130,141,306	**(3,033,144)**	**3,033,144**
Impact on post tax profit and equity			**27,120,872**

At 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			24,740,452

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

3. Financial risk management (continued)

3.5 Market risk (continued)

3.5.3 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 summarises the Bank's exposure to foreign exchange risk as at December 31, 2019. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

Financial instruments by currency

At 31 December 2019	**Total**	**USD**	**LRD**	**GBP**	**Euro**
Cash and cash equivalents	3,902,798,337	3,305,844,000	548,821,337	6,606,000	41,527,000
Investment securities	585,624,199	585,624,199	-	-	-
Loans and advances to customers	12,574,860,525	11,706,756,313	810,105,544	57,998,668	-
Other assets	727,224,663	479,662,021	206,528,196	41,034,446	-
Total financial assets	**17,098,648,776**	**15,633,590,564**	**1,358,926,544**	**105,639,114**	**41,527,000**
Deposits from banks					
Deposits from customers	15,681,765,366	13,388,670,594	2,292,515,486	12,615	566,671
Due to related parties	28,496,606	28,496,606	-	-	-
Lease liabilities	263,227,750	263,227,750	-	-	-
Other borrowed funds	132,510,459	132,510,459	-	-	-
Total financial liabilities	**16,106,000,181**	**13,812,905,409**	**2,292,515,486**	**12,615**	**566,671**

At 31 December 2018	Total	USD	LRD	GBP	Euro
Cash and cash equivalents	2,819,720,508	1,412,404,457	1,250,098,524	-	157,217,527
Investment securities	191,919,149	168,573,037	23,346,112	-	-
Loans and advances to customers	11,455,603,824	10,665,396,350	790,207,474	-	-
Other assets	236,801	236,801	-	-	-
Total financial assets	14,502,609,533	12,281,739,896	2,063,652,110	-	157,217,527
Deposits from banks	472,634,700	472,634,700	-	-	-
Deposits from customers	12,209,953,924	10,416,252,232	1,793,204,809	10,228	486,655
Due to related parties	1,058,434	1,058,434	-	-	-
Other borrowed funds	331,649,193	331,649,193	-	-	-
	13,015,296,251	11,221,594,559	1,793,204,809	10,228	486,655

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

3. Financial risk management (continued)

3.5 Market risk (continued)

3.5.3 Foreign exchange risk (continued)

Sensitivity analysis

A 15% strengthening of the Liberia dollar against foreign currencies at December 31, 2019 would have increased equity and profit / (loss) by L$ 124,027 (2018: L$ 186,018).

A best case scenario 15% weakening of the Liberian dollars against foreign currencies at 31 December 2019 would have had the equal but opposite effect on the amount shown above.

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

3.6 Capital management

Regulatory capital

The Bank's 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 comprise ordinary share capital, retained earnings, and other components of equity.

The Bank has 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.

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, 2019 was 18% as compared to 16% reported as at December 31, 2018, which was above the regulatory limit.

At December 31 2019

ASSETS	Weight	AMOUNT	VALUE
Cash	0%	864,388,822	-
Balance held with CBL	0%	2,459,130,049	-
GOL bonds	0%	585,703,269	-
Balance held with other banks outside Liberia	20%	579,279,466	115,855,893
Loans and advances	100%	12,574,860,525	12,574,860,525
Other assets	100%	875,101,835	875,101,835
Right-of-use assets	100%	330,984,881	330,984,881
Property and equipment	100%	1,355,970,324	1,355,970,324
Intangibles	100%	34,598,018	34,598,018
Off- balance sheet	50%	1,703,624,462	851,812,231
TOTAL RISK WEIGHTED ASSETS		**21,363,641,651**	**16,139,183,707**

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

3. Financial risk management (continued)

3.6 Capital management (continued)

Regulatory capital (continued)

TOTAL RISK WEIGHTED ASSETS	**21,363,641,651**	**16,139,183,707**
Regulatory capital		
Share capital		1,062,500,000
Retained earnings		500,810,814
Other components of equity		1,332,104,258
TOTAL QUALIFYING CAPITAL		**2,895,415,072**
CAPITAL ADEQUACY RATIO		**18%**

At December 31 2018

ASSETS	WGTS	AMOUNT	VALUE
Cash	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 and 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
Off- balance sheet	50%	955,020,779	477,510,389
TOTAL RISK WEIGHTED ASSETS		16,707,015,189	13,308,774,909

Regulatory capital	
Share capital	1,062,500,000
Retained earnings	255,433,676
Other components of equity	799,931,341
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 Fair values of financial instruments

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

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

(a) Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, credit spreads and other premium used in estimating discount rates and foreign currency exchange rates and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation.

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

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

3. Financial risk management (continued)

3.7 Fair values of financial instruments (continued)

(b) Financial instruments not measured at fair value

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

	Note	**Level 2 2019**	**Level 3 2019**	Level 2 2018	Level 3 2018
Assets					
Cash and cash equivalents	17	**3,902,798,337**	**-**	2,819,720,510	**-**
Investment securities	18	**-**	**547,312,336**	**-**	176,072,613
Loans and advances to customers	19	**-**	**12,574,860,525**	-	11,455,603,824
		3,902,798,337	**13,122,172,861**	2,819,720,510	11,631,676,437
Liabilities					
Deposits from customers	24	**15,681,765,366**	**-**	12,209,953,925	-
Due to related parties	25	**28,496,606**	**-**	1,058,434	-
Other borrowed funds	29	**-**	**128,029,429**	-	318,893,455
		15,710,261,972	**128,029,429**	12,211,012,359	318,893,455

The fair value of government securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is determined using quoted market prices for securities with similar maturity and yield characteristics.

Where applicable, the fair value of loans and advances to customers is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models such as discounted cash flow techniques which represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine the fair value. For collateral dependent impaired loans, the fair value is measured based on the value of the underlying collaterals.

The fair value of advances to and from Banks is based on discounted cash flow techniques applying the rates of similar maturities and terms.

The fair value of term deposits by customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

Fair values of borrowings are estimated using discounted cash flow techniques, applying rates that are offered for borrowings of similar maturities and terms.

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

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

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and Fair Value through Other Comprehensive Income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios and the associated ECL.

Refer to Note 3.4.2 for further details on these estimates and judgements.

(ii) Hold to collect financial assets

The Bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as hold to collect. This classification requires significant judgement. In making this judgement, the Bank uses the Business model and Solely for Payment of Principal and Interest (SPPI) model to assess that the purpose for holding these assets was to collect the contractual cash flows associated with the assets. If the Bank were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Bank is required to reclassify the entire category as hold to collect and sell. Accordingly, the investments would be measured at fair value instead of amortised cost.

(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.

(iv) Lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

4. Critical accounting estimates and judgements (continued)

(iv) Lease term

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the group is typically reasonably certain to extend (or not terminate).

Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

5. Interest income

	2019	2018
Loans and advances to customers	**1,481,236,263**	1,288,755,242
Cash and cash equivalents	**8,102,244**	1,911,368
Investment securities	**18,362,279**	87,546,400
	1,507,700,786	1,378,213,010
Geographical location:		
Interest income earned in Liberia	**1,501,462,374**	1,378,213,010
Interest income earned outside Liberia	**6,238,412**	-
	1,507,700,786	1,378,213,010

6. Interest expense

Due to banks	**-**	5,692,055
Deposit from customers	**100,454,005**	78,611,983
Other borrowed funds	**29,687,301**	56,886,328
Lease liabilities	**21,515,882**	-
	151,657,188	141,190,366
Geographical location:		
Interest paid in Liberia	**121,969,887**	84,304,038
Interest paid outside Liberia	**29,687,301**	56,886,328
	151,657,188	141,190,366

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

7. Impairment loss on financial assets

	2019	2018
Loans and advances	**396,952,620**	116,391,192
Write-off of loans and advances	**-**	745,097,655
Investment securities	**79,070**	(120,496)
Placements	**574,597**	-
Off balance sheet exposures	**118,284**	(70,965)
Recoveries during the year	**(32,714,103)**	-
	365,010,468	861,297,386

8. Fees and commission income

Credit related fees and commissions	**506,006,760**	333,903,447
Commission on foreign exchange deals	**1,180,520**	3,632,933
Income from financial guarantee contracts issued	**46,476,584**	140,841,061
Commission on transfers	**268,852,293**	185,323,907
Account management charges	**121,645,365**	105,255,062
Other fees and commissions	**205,937,252**	131,101,231
	1,150,098,774	900,057,641

9. Fee and commission expense

Correspondent banking charges	**24,745,316**	36,011,986
Recovery expenses	**4,779,204**	-
	29,524,520	36,011,986

10. Net trading income

Net foreign exchange gain on trading	**8,760,331**	9,058,070

11. Other (expense)/ income

Foreign exchange translation (losses)/gains	**(5,347,156)**	47,816,851
Bad debt recovered	**-**	12,247,603
Profit on disposal of property and equipment (note 20)	**1,874,375**	993,406
	(3,472,781)	61,057,860

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

12. Personnel expenses

	2019	2018
Wages and salaries	**353,035,197**	261,121,438
Contributions to defined contribution plans	**24,051,770**	17,056,570
Other staff cost	**11,419,434**	17,348,569
	388,506,401	295,526,577

The number of persons employed by the Bank as at December 31, 2019 was 130 (2018:118).

13. Other operating expenses

	2019	2018
Stationery and postage	**23,543,997**	26,594,948
Business travel expenses	**5,745,369**	5,552,055
Advert, promotion and corporate gifts	**45,551,096**	42,823,867
Repairs and maintenance	**71,593,335**	104,030,962
Directors' emoluments and expenses	**19,181,002**	9,552,339
Contract services	**243,117,887**	177,616,997
Insurance premium	**32,009,118**	36,610,121
Consulting and auditing costs	**15,339,625**	9,537,945
Management technical services fees	**13,672,323**	11,376,585
Fuel expense	**67,209,506**	71,691,954
Legal and secretarial expenses	**42,416,621**	21,809,078
Donation and corporate subscription	**14,686,283**	10,100,872
Internet and communication	**175,480,034**	51,769,020
Cash shortage	**174,929**	4,001,261
Others	**183,881,569**	114,569,269
Expenses relating to short term and low value assets leases	**22,536,824**	-
	976,139,518	697,637,273

14. Operating leases

Operating lease expense - office	**-**	49,162,126

15. Depreciation and amortisation

Property and equipment (Note 20)	**216,434,356**	163,458,067
Intangible assets (Note 21)	**11,873,911**	7,459,863
Rights of use assets (Note 23)	**27,365,956**	-
	255,674,223	170,917,930

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

16. Income taxes

Income tax expense

	2019	2018
Current income tax charge	**128,904,936**	46,967,150
Deferred income tax charge (note 26)	**78,990,870**	61,577,412
	207,895,806	108,544,562

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:

Tax calculated at the statutory income tax rate of 25% (2018: 25%)	**124,143,698**	24,160,734
Tax effects of:		
Expenses not deductible/ income not subject to tax	**131,651,488**	31,092,135
Adjustment in respect of prior year deferred income tax	**-**	23,570,778
Effect of higher tax on revenue	**-**	22,861,558
Recognition of previously un-recognised deferred income tax	**-**	6,859,357
Tax incentives	**(47,899,380)**	-
Income tax expense	**207,895,806**	108,544,562

Current income tax

Years of assessment	**At January 1**	**Charge for the year**	**Payments during the year**	**At December 31**
Up to 2018	14,799,450	-	-	14,799,450
2019	-	128,904,936	(60,299,445)	68,605,491
	14,799,450	**128,904,936**	**(60,299,445)**	**83,404,941**
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

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

17. Cash and cash equivalents

	2019	2018
Cash and balances with banks	**1,066,363,981**	917,006,567
Balances with Central Bank	**2,459,130,050**	1,878,834,615
Money market placements	**377,304,306**	23,879,328
	3,902,798,337	2,819,720,510

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

18. Investment securities

Government bond	**585,703,269**	168,573,037
Treasury bills	**-**	23,349,409
Gross carrying amount	**585,703,269**	191,922,446
Impairment	**(79,070)**	(3,297)
Carrying amount	**585,624,199**	191,919,149
Current	**106,417,484**	191,919,149
Non – current	**479,206,715**	**-**
	585,624,199	191,919,149

Investment securities are held at amortised cost.

19. Loans and advances to customers

Gross loans and advances to customers	**14,048,617,236**	12,532,407,915
Less: allowance for impairment	**(1,473,756,711)**	(1,076,804,091)
	12,574,860,525	11,455,603,824
Current	**9,358,307,397**	9,515,027,153
Non-current	**3,216,553,128**	1,940,576,671
	12,574,860,525	11,455,603,824

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

19. Loans and advances (continued)

Allowance for impairment

	2019	2018
At January 1	**1,076,804,091**	587,788,572
Opening IFRS 9 adjustment	**-**	372,624,327
Restated balance at January 1	**1,076,804,091**	960,412,899
Charge for the year	**396,952,620**	116,391,192
At December 31	**1,473,756,711**	1,076,804,091
12-month ECL	**370,348,722**	417,586,610
Lifetime ECL not credit impaired	**142,741,678**	318,952,557
Lifetime ECL credit impaired	**960,666,311**	340,264,924
	1,473,756,711	1,076,804,091

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

20. Property and equipment

December 31, 2019	Motor vehicles	Premises	Furniture and equipment	Land	Work in progress	Total
Cost:						
At January 1	175,821,351	869,042,080	944,939,358	787,725	10,945,760	**2,001,536,274**
Additions	17,957,533	16,175,741	99,038,264	48,728,681	191,381,506	**373,281,725**
Disposals	(22,821,017)	-	(7,350,021)		-	**(30,171,038)**
Transfers	-	4,133,876	-	-	(4,133,876)	**-**
Exchange rate effect	22,675,996	157,755,175	162,457,046	150,975	-	**343,039,192**
At December 31	**193,633,863**	**1,047,106,872**	**1,199,084,647**	**49,667,381**	**198,193,390**	**2,687,686,153**
Accumulated depreciation:						
At January 1	101,654,602	243,097,245	633,141,442	-	-	977,893,289
Charge for the year	30,364,074	42,855,398	143,214,884	-	-	216,434,356
Disposals	(22,821,017)	-	(7,350,021)	-	-	(30,171,038)
Exchange rate effect	17,882,229	40,994,381	108,682,612	-	-	167,559,222
At December 31	**127,079,888**	**326,947,024**	**877,688,917**	**-**	**-**	**1,331,715,829**
Net book amount	**66,553,975**	**720,159,848**	**321,395,730**	**49,667,381**	**198,193,390**	**1,355,970,324**

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

20. Property and equipment (continued)

December 31, 2018	Motor vehicles	Premises	Furniture and equipment	Land	Work in progress	Total
Cost:						
At January 1	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
At December 31	175,821,351	869,042,080	944,939,358	787,725	10,945,760	2,001,536,274
Accumulated depreciation:						
At January 1	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
At December 31	101,654,602	243,097,245	633,141,442	-	-	977,893,290
Net book amount	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)

20. Property and equipment (continued)

Profit on disposal of property and equipment

	2019	2018
Cost	**30,171,038**	34,725,410
Accumulated depreciation	**(30,171,038)**	(31,325,614)
Net book value	**-**	3,399,796
Proceeds	**(1,874,375)**	(4,393,202)
Profit on disposal	**(1,874,375)**	(993,406)

21. Intangible assets

Cost		
At January 1	**154,072,970**	110,825,011
Additions	**13,306,812**	14,966,766
Exchange rate effect	**29,529,669**	28,281,193
At December 31	**196,909,451**	154,072,970
Accumulated amortisation:		
At January 1	**126,161,657**	94,104,673
Amortisation for the year	**11,873,911**	7,459,863
Exchange rate effect	**24,275,865**	24,597,121
At December 31	**162,311,433**	126,161,657
Net book amount	**34,598,018**	27,911,313

22. Other assets

Accounts receivable	**691,858,610**	236,801
Prepayments	**127,040,650**	219,689,113
Stationery	**17,345,130**	9,571,981
Prepaid employee benefit	**3,491,393**	3,698,736
Cash collateral with foreign banks	**35,366,052**	-
	875,101,835	233,196,631
Current	**769,656,623**	138,522,707
Non – current	**105,445,212**	94,673,924
	875,101,835	233,196,631

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

23. Leases

(i) Amounts recognised in the balance sheet	**2019**	**1 January 2019**
The statement of financial position shows the following amounts relation to leases**;**		
Right of use assets		
Buildings	**330,984,881**	358,350,838
Lease liabilities		
Current	**-**	37,855,664
Non-current	**263,227,750**	263,227,750
	263,227,750	301,083,414

(ii) Amounts recognised in the statement of profit or loss

The statement of comprehensive income shows the following amounts relation to leases**;**		
Depreciation charge of right of use of assets – Buildings	**27,365,956**	-
Interest expense on lease liabilities	**21,515,882**	-
Expenses relating to short term and low value assets leases (included in administrative expenses)	**22,536,824**	-

24. Deposits from customers

	2019	2018
Current deposits	**10,659,568,867**	7,504,044,320
Savings deposits	**3,732,661,639**	3,297,810,622
Term deposits	**1,162,771,165**	1,018,543,932
Call deposits	**126,763,695**	389,555,051
	15,681,765,366	12,209,953,925
Current	**15,681,765,366**	12,209,953,925
Non-current	**-**	-
	15,681,765,366	12,209,953,925

The twenty largest depositors constitute **43%** (L$6,790,825,163) of the total deposits as at the end of December 31, 2019.

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

25. Due to banks

	2019	2018
Deposits from banks	**-**	472,634,700
Current	**-**	472,634,700
Non-current	**-**	-
	-	472,634,700

Amount due to banks is the outstanding balance of takings from UBA Liberia Limited and Afriland First Bank Liberia as at December 31, 2018. These takings were repaid during the year ended December 31, 2019.

26. Deferred income tax liabilities

Deferred income tax is calculated using the enacted income tax rate of 25% (2018: 25%). The movement on the deferred income tax account is as follows:

Movement in deferred income tax liabilities

	2019	2018
At January 1	**64,231,285**	2,654,173
Charge for the year	**78,990,870**	61,577,412
At December 31	**143,222,155**	64,231,585

At December 2019	**Asset**	**Liability**	**Net**
Property and equipment	-	131,874,970	**131,874,970**
Right-of-Use Assets	-	82,746,220	**82,746,220**
Unrealized exchange loss	(1,336,789)	-	**(1,336,789)**
Others	(70,062,246)	-	**(70,062,246)**
	(71,339,035)	**214,621,190**	**143,222,155**

At December 2018	Asset	Liability	Net
Property 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

27. 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.

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

27. Related parties (continued)

Parent company transactions

At December 31, the Bank had the following payables due to the Parent Bank:

	2019	2018
Transactions on behalf of the Bank	**27,413,607**	-
Technical service fee	**1,082,999**	1,058,434
	28,496,606	1,058,434

Transactions on behalf of the Bank are on similar items as in the normal course of business with other customers.

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:

	2019	2018
Prince Saye	**152,802**	2,100,118
Jonathan Toe	**293,372**	367,585
Kaiffa Roberts	**711,722**	-
Cleopatra Bayoh	**-**	1,467,107
	1,157,896	3,934,810

ii. Key management personnel compensation

Key management personnel compensation for the year comprises:

Wages and salaries	**53,111,375**	41,056,668
Post-employment benefits	**13,903,503**	6,526,208
	67,014,878	47,582,876

There were no short-term employee and post-employment benefits outstanding as at December 31 2019 (2018:Nil)

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

28. Other liabilities

	2019	2018
Customers' deposit for foreign trade	-	191,507,232
Certified cheques	**95,142,139**	115,304,873
Other current liabilities	**258,591,057**	179,663,632
Payables on employee benefits	**11,155,777**	3,341,104
Liability for defined contribution obligations	**67,006,497**	49,985,266
	431,895,470	539,802,107
Current	**364,888,973**	489,816,841
Non-current	**67,006,497**	49,985,266
	431,895,470	539,802,107

29. Other borrowed funds

Due to Proparco	**132,510,459**	331,649,193
Current	**132,510,459**	221,367,763
Non-current	**-**	110,281,430
	132,510,459	331,649,193

Other borrowed funds 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. 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

	2019	2018
At January 1	**331,649,193**	439,716,934
Repayments during the year:	**-**	
-Principal	**(267,380,435)**	(213,693,550)
-Interest	**(25,496,365)**	(33,103,920)
Interest accrued	**25,215,880**	31,700,280
Exchange difference	**68,522,186**	107,029,449
At December 31	**132,510,459**	331,649,193

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

30. Capital and reserves

Share capital

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

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

The stated capital did not change during the years ended December 31, 2018 and December 31, 2019. There is no unpaid liability on any shares and there are no treasury shares.

Retained earnings

Retained earnings are the carried forward recognised 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. The Bank transferred fifteen percent of the current year's profit after tax to statutory reserves at the end of the financial year.

Translation reserves

Translation reserve is a 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.

31. Regulatory disclosures

(i) Impairment as per CBL prudential guidelines

As at December 2019

Category	Gross amount	%	%	Provision
Performing-Current	9,658,421,175	68%	1%	91,016,853
OLEM	1,896,799,659	14%	5%	94,839,983
Non-performing	**2,493,396,402**	**18%**		**1,842,610,660**
Substandard	186,545,825	1%	20%	37,309,165
Doubtful	1,003,098,164	4%	50%	501,549,082
Loss	1,303,752,413	12%	100%	1,303,752,413
	14,048,617,236	**100%**		**2,028,467,496**
Non performing loan ratio				**18%**

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

31. Regulatory disclosures (continued)

(i) Impairment as per CBL prudential guidelines (continued)

As at December 2018

Category	Gross amount	%	%	Provision
Performing-Current	6,829,076,243	54	1%	68,006,295
OLEM	2,742,686,635	22	5%	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			
Non performing loan ratio				24%

(ii) Difference between impairment under IFRS and provisions as per CBL's prudential regulations

In accordance with sections 8.02 and 8.03 of the Guidelines Concerning Accounting and Financial Reporting for banks(2016) issued by the Central Bank of Liberia, if the amount of the allowance for impairment losses on financial assets exceeds the total amount of provision calculated in accordance with the Regulation CBL/RSD/005/2014, no complementary action must be taken. The Bank should only disclose that impairment losses under IFRS exceed provisions calculated in accordance with the Regulation. Similarly, when the total amount of provision calculated in accordance with Regulation CBL/RSD/005/2014 exceeds the amount of the allowance for impairment losses on financial assets, the Bank must disclose the difference and its impact on the Bank's profit and capital for the period. Given the above, the practice of using the credit risk reserve as a prudential filter to house the difference between IFRS impairment and provisions calculated using Regulation CBL/RSD/005/2014 is no longer required. Below is a summary with the difference:

	2019	2018
IFRS Impairment	**1,473,756,711**	1,076,804,091
CBL provision	**2,028,467,496**	1,882,655,340
Excess of IFRS impairment over CBL provisions	**(554,710,785)**	(805,851,249)

(iii) Impact of difference between the Provisions based on CBL guidelines and impairment as per IFRS on profit and equity:

December 2019

The impairment provision under IFRS is lower than the provision calculated in accordance with CBL/RSD/005/2014 PG by L$ 554,710,785. When adjusted for regulatory provisions, the Bank's profit before tax is (L$ 58,135,993) and capital is L$ 2,340,704,287.

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

December 2018

The impairment provision under IFRS is lower than the provision calculated in accordance with CBL/RSD/005/2014 PG by L$ 805,851,249. When adjusted for regulatory provisions, the Bank's profit before tax is (L$ 709,208,312) and capital is L$ 1,312,013,768.

(iv) Fines and penalties

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

32. Contingencies

i. Claims and Litigation

The Bank has pending legal suits in respect of claims arising in the ordinary course of business as at December 31, 2019. It is not anticipated that any material liabilities will arise from the contingent liabilities (2018: Nil).

ii. Contingent liabilities and commitments

In common with other banks, the Bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Contingent liabilities and commitments comprise acceptances, guarantees and letters of credit.

Nature of instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Other contingent liabilities include transaction related to performance bonds and are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness.

The following table summarise the amount of contingent liabilities and commitments with off-balance sheet risk.

	2019	2018
Contingent liabilities:		
Bonds and guarantees	**639,706,046**	343,577,348
Clean line facilities for letters of credit	**1,063,918,416**	611,443,431
Total	**1,703,624,462**	955,020,779

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

iii. Commitments for capital expenditure

The Bank's commitments for capital expenditure as at December 31 2019 amounts to L$ 191,381,506 (2018: L$145,183,582).

33. Subsequent events

There were no events after the end of the reporting period, which could have had a material effect on the state of affairs of the Bank as at December 31 2019 and on the results for the year then ended which have not been adequately provided for and/or disclosed.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE REPORT

Commitment to Corporate Governance

In Guaranty Trust Bank Liberia, we are committed to upholding the creed and principles of good Corporate Governance in all our operations. Our good corporate governance is the bedrock of trust and confidence reposed in us by shareholders, business partners, employees and the key to our continued long-term success. In building our corporate governance objective, the Bank's "Orange Rules" of Simplicity, Professionalism, Service, Friendliness, Excellence, Trustworthiness, Social Responsibility and Innovation signify the Bank's guiding ideologies upon which it was established and remain the foundation upon which we have built and developed our exemplary corporate governance practices. The Bank's Orange rules are fundamental to our culture and are part of the everyday conduct of the Bank's business.

In the pursuit to deliver greater shareholder value, we continue to subject our operations to the highest standards of corporate governance, which is an essential foundation for sustainable corporate success. In view of globalization, digitalization and increased penetration of artificial intelligence in the World and specifically in the Banking industry, our resolve to maintain good corporate governance principles have become more important to us.

GTBank Liberia Limited is governed by a framework that facilitates checks and balances and ensures that appropriate controls are put in place. It encompasses authority, accountability, stewardship, leadership, direction and control and ensures that the responsibilities and functions of the Board as well as the senior management of the Bank are well defined.

The Bank has a Corporate Governance code which is consistent with the extant provisions of New Financial Institutions Act (FIA) of 1999 and the "Corporate Governance Regulation for Financial Institutions "(Regulation No CBL/SD/001/2012) published by the Central Bank of Liberia.

The Board of Directors

The Board of Directors is responsible for the governance of the Bank and is accountable to shareholders for creating and delivering sustainable value through the management of the Bank's business.

The Board is committed to the highest standards of business integrity, ethical values and governance; it recognizes the responsibility of the Bank to conduct its affairs with transparency, prudence, fairness, accountability and social responsibility, thereby safeguarding the interests of all stakeholders.

The Board ensures that an appropriate level of checks and balances is maintained, in order to ensure that decisions are taken with the best interest of the Bank's stakeholders in mind. Directors of the Bank possess the right balance of expertise, skills and experience, which translates to an effective Board and an executive management team capable of steering the affairs of the Bank in an ever changing and challenging environment.

The Board determines the overall strategy of the Bank and follows up on its implementation, supervises the performance of the Bank and ensures adequate management, thus actively contributing to developing the Bank as a focused and sustainable brand.

The synergy between the Board and Management fosters interactive dialogue in setting broad policy guidelines in the management and direction of the Bank to enhance optimal performance and ensure that associated risks are properly managed. Furthermore, the Board plays a central role in conjunction with Management in ensuring that the Bank is financially strong, well governed and risks are identified and well mitigated.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE REPORT

The Board of Directors (continued)

As at 31 December 2019, the Board of Directors of Guaranty Trust Bank Limited consisted of seven (7) members. They include three (3) independent non-executive directors, the Chairman and two (2) Non-Executive Directors who are representatives of Guaranty Trust Bank Plc and the Managing Director. The Board met four (4) times in the year.

In addition to the Board's direct oversight, the Board exercises its oversight responsibilities through four (4) Committees, namely, Board Audit, Board Risk Management, Board Credit and Board Asset and Liabilities. The Board has adopted standard evaluation tools that help assess the performance of the Board, its committees and individual members on an annual basis.

Board Audit Committee

The Board Audit Committee comprise three independent directors-a Chairman and two members. The Committee met four (4) times in the year ended 31 December 2019 to review reports from Audit and Internal Control.

The terms of reference of the Board Audit Committee include:

(a) To review the integrity of the bank's financial reporting and overseeing the independence and objectivity of the external auditor.

(b) To review the activities, findings, conclusions and recommendations of the external auditors relating to the Bank's annual audited financial statements.

(c) To review the Management Letter of the External Auditor and Management's response thereto;

(d) To review the appropriateness and completeness of the Bank's statutory accounts and its other published financial statements;

(e) To receive a summary of whistle blowing cases reported and the result of the investigation from the Head of Internal Audit;

(f) To review and approve the annual audit plan and make necessary changes to the plan, the adoption of which must be subject to the full Board's approval giving due relevance to the committee's recommendation(s);

(g) Review the performance of the head of internal audit annually, the overall internal audit function quarterly;

(h) Make recommendations to the full board on the appointment, re-appointment and change of the external auditor;

(i) Approve the remuneration and terms of engagement of the external auditors; and

(j) Review the Bank's procedures for preventing and detecting fraud;

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE REPORT

Board Risk Management Committee

This Committee has a chairman and two other members of the Board. The Committee met four times during the year to review reports from Risk and Compliance.

This Committee is tasked with the responsibility of setting and reviewing the Bank's risk policies. The coverage of supervision includes the following: Credit Risk, Reputational Risk, Operations Risk, Technology Risk, Market Risk, Liquidity Risk and other pervasive risks as may be posed by the events in the industry at any point in time.

The Terms of Reference of the Board Risk Management Committee include:

(a) To review and recommend for the approval of the Board, the Bank's Risk Management Policies including the risk profile and limits;

(b) To determine the adequacy and effectiveness of the Bank's risk detection and measurement systems and controls;

(c) Ensure that the bank is not exposed to undue fluctuations in its balance sheets, including liquidity risk, foreign exchange position and credit risk;

(d) Regularly review the balance sheet of the bank to ascertain areas of high risk, and ensure that the risk level is consistent with the risk tolerance limit set by the bank;

(e) Ensure that the assets of the bank are properly protected. As such, it should ensure that there is adequate risk management framework in place, covering all key risk activities of the bank;

(f) Develop effective mechanism for ensuring compliance with anti-money laundering and combating financing of terrorism (AML/CFT) standards;

(g) Review and assess the integrity of the risk control systems and ensure that the risk policies and strategies are effectively managed;

(h) Set out the nature, role, responsibility and authority of the risk management function within the financial institution and outline the scope of risk management duties and responsibilities;

(i) Monitor external developments related to the practice of corporate accountability and the reporting of specifically associated risk, which may have emerging and prospective impact on the operations of the financial institutions;

(j) Provide independent and objective oversight and review of the information presented by the management on corporate accountability and specifically associated risk, also taking account of risk concerns raised by management in the Audit Committee, Asset and Liability Committee meetings on financial, business and strategic risk;

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE REPORT

Board Credit Committee

This Committee has a chairman and two other members of the Board. The Committee met four times during the year to review reports from Credit Administration.

The Terms of Reference of the Board Credit Committee include:

(a) Reviewing and overseeing the overall lending policy of the banking;

(b) Deliberating on and approving loan applications in excess of the board defined limits for Management and the Management Credit Committee;

(c) Directing the formulation of, reviewing and monitoring the credit principles and policies of the bank;

(d) Ensuring that there are effective procedures and resources to identify and manage irregular problem credits, minimize credit loss and maximize recoveries;

(e) Directing, monitoring, reviewing and considering all issues that may materially impact on the present and future quality of the bank's credit risk management.

Board Asset and Liability Committee

This Committee has a chairman and two other members of the Board. The Committee met four times during the year to review reports from the Treasurer.

The Terms of Reference of the Board Asset and Liability Committee include:

(a) defining the risk tolerance limit of the Bank as it relates to the asset composition of the Bank, including its loan, assets, investments and trading position;

(b) ensuring that the bank is not exposed to undue fluctuations in its balance sheets, including liquidity risk, foreign exchange position and credit risk;

(c) ensuring that the assets of the bank are properly protected. As such, it should ensure that there is adequate risk management framework in place, covering all key activities of the bank;

(d) Regular review of the balance sheet of the bank to ascertain areas of high risk, and ensure that the risk level is consistent with the risk tolerance limit set by the bank.