Guaranty Trust Bank (Liberia) Ltd

# GUARANTY TRUST BANK (LIBERIA) LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS
## FOR THE YEAR ENDED DECEMBER 31, 2023

**CONTENTS** PAGE(S)

## CORPORATE INFORMATION

| | |
|---|---|
| Board of Directors | Amb. Prof. Dew Tuan-Wleh Mayson (Chairman)<br>Mr. Ikenna Anekwe (Managing Director)<br>Mr. Prince Saye (Executive Director, Appointed August 21, 2023)<br>Prof. Ophelia I. Weeks (Independent)<br>Mr. Kpedee Woiwor (Independent)<br>Mr. Thomas John (Non-Executive)<br>Mr. Ahmed Liman (Non-Executive)<br>Mr. Joseph R. Crayton (Independent) |
| Registered office | Guaranty Trust Bank (Liberia) Limited<br>13th Street, Sinkor<br>Tubman Boulevard<br>P.O. Box 0382<br>1000 Monrovia 10, Liberia |
| Solicitor | International Law Group<br>111 Cheesman Avenue, Sinkor<br>Between 9th &10th streets<br>Monrovia, Liberia |
| Independent auditor | PricewaterhouseCoopers (Liberia) LLC<br>9th Street, Payne Avenue<br>Sinkor<br>1000 Monrovia 10, Liberia |

## REPORT OF THE DIRECTORS

The directors have the pleasure in presenting their report on the affairs of Guaranty Trust Bank (Liberia) Limited, together with the audited financial statements and the auditor's report for the financial year ended December 31, 2023.

### 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 Nigeria Limited, a company incorporated in the Federal Republic of Nigeria with its parent company, Guaranty Trust Holding Company Plc listed on the Nigerian and London Stock Exchanges.

Guaranty Trust Bank Nigeria Limited, 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 International Financial Reporting Standards and with the requirements of the Business Corporation Act of the Associations Law (amended) 2020 and the New Financial Institutions Act, 1999;

    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.

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

## REPORT OF THE DIRECTORS (continued)

### Statement of Directors responsibility (continued)

The above statement of responsibilities of the Board of Directors regarding the financial statements of the Bank shall be read in conjunction with the statement of the auditor's responsibilities set out in the independent auditor's opinion. 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

Mr.Prince Saye was appointed as an Executive Director on the Board on August 21, 2023.

### Going concern

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

### Financial results

A highlight of the Bank's performance for the year ended December 31, 2023 is summarized in the table below:

| | **2023** | 2022 |
|---|---|---|
| | **LRD '000** | LRD'000 |
| Gross earnings | **5,468,713** | 3,482,589 |
| Profit before income tax expense | **1,680,091** | 480,529 |
| Income tax expense | **(370,883)** | (95,768) |
| Profit for the year | **1,309,207** | 384,762 |

P.P. Ophelia Dufeeks

Amb. Prof. Dew Tuan-Wleh Mayson
Chairperson of the Board

**Date:** FEBRUARY 23 2024

## CORPORATE GOVERNANCE REPORT

### Commitment to Corporate Governance

In Guaranty Trust Bank (Liberia) Limited, 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 has become more important to us.

Guaranty Trust Bank (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 and supervises the performance of the Bank 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.

## CORPORATE GOVERNANCE REPORT (continued)

### The Board of Directors (continued)

As at 31 December 2023, the Board of Directors of Guaranty Trust Bank (Liberia) Limited consisted of eight (8) members. They include three (3) independent non-executive directors, the Chairman and two (2) Non-Executive Directors who are representatives of Guaranty Trust Bank Nigeria Limited, the Executive Director and the Managing Director. The Board of Directors met four (4) times during the year.

In addition to the Board's direct oversight, the Board exercises its oversight responsibilities through four (4) Committees, namely, Board Audit Committee, Board Risk Management Committee, Board Credit Committee and Board Asset and Liability Committee. 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

| | Role | Number of Meetings | Attendance |
|---|---|---|---|
| Mr. Joseph R. Crayton | Chairman | 4 | 4 |
| Prof. Ophelia Inez Weeks | Member | 4 | 4 |
| Mr. Thomas John | Member | 4 | 4 |

The Board Audit Committee is mandated to:

(a) review the integrity of the Bank's financial reporting and overseeing the independence and objectivity of the external auditor;

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

(c) review the Management Letter of the external auditor and management's response thereto;

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

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

(f) 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 and 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 auditor; and

(j) review the Bank's procedures for preventing and detecting fraud.

**CORPORATE GOVERNANCE REPORT (continued)**

**Board Risk Management Committee**

| | Role | Number of Meetings | Attendance |
|---|---|---|---|
| Prof. Ophelia Inez Weeks | Chairperson | 4 | 4 |
| Mr. Kpedee Woiwor | Member | 4 | 4 |
| Mr. Joseph R. Crayton | Member | 4 | 4 |

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, operational 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 Board Risk Management Committee is mandated to:

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

(b) 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 statement of financial position 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 by putting adequate risk management framework in place to cover 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 Bank 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 associated risks, which may have emerging and prospective impact on the operations of the Bank; and

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

**CORPORATE GOVERNANCE REPORT (continued)**

**Board Credit Committee**

| | Role | Number of Meetings | Attendance |
|---|---|---|---|
| Mr. Thomas John | Chairman | 4 | 4 |
| Mr. Ikenna Anekwe | Member | 4 | 4 |
| Mr. Ahmed Liman | Member | 4 | 4 |
| Mr. Prince Saye | Member | 4 | 2 |

The Board Credit Committee is mandated to:

(a) review and oversee the overall lending policy of the Bank;

(b) deliberate on and approve loan applications in excess of the defined limits for management and the Management Credit Committee;

(c) direct the formulation, review and monitoring of the credit principles and policies of the Bank;

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

(e) direct, monitor, review and consider all issues that may materially impact on the present and future quality of the Bank's credit risk management.

**Board Asset and Liability Committee**

| | Role | Number of Meetings | Attendance |
|---|---|---|---|
| Mr. Ahmed Liman | Chairman | 4 | 4 |
| Mr. Kpedee Woiwor | Member | 4 | 4 |
| Mr. Ikenna Anekwe | Member | 4 | 4 |
| Mr. Prince Saye | Member | 4 | 2 |

The Board Asset and Liability Committee is mandated to:

(a) define 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) ensure that the Bank is not exposed to undue fluctuations in its balance sheets, including liquidity risk, foreign exchange position and credit risk;

(c) 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 activities of the Bank; and

(d) regularly review of the statement of financial position 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.

**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 (the "Bank") as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the New Financial Institutions Act of 1999.

***What we have audited***

We have audited the financial statements of Guaranty Trust Bank (Liberia) Limited for the year ended December 31, 2023.

The financial statements comprise:

- the statement of financial position as at December 31, 2023;
- 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, comprising a summary of material accounting policy information and other explanatory information.

### 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 Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) issued by the International Ethics Standards Board for Accountants that are relevant to our audit of the financial statements. We have fulfilled our other ethical responsibilities in accordance with the Code.

### Other information

The directors are responsible for the other information. The other information comprises the Corporate Information, Report of the Directors and Corporate Governance Report 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.

### Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Business Corporation Act of the Associations Law (amended) 2020 and the New Financial Institutions Act of 1999, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Bank's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

## 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

In accordance with section 21(1)(a) of the New Financial Institutions Act of 1999, we hereby 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) and income statement (statement of comprehensive income) are properly drawn up so as to present a true and fair view of the state of the Bank's affairs according to the best of the information and the explanations given to us, and as shown by the books of the Bank.

PricewaterhouseCoopers

**PricewaterhouseCoopers**
**Certified Public Accountants**
**Monrovia, Liberia**
**April 30, 2024**

pwc

## STATEMENT OF FINANCIAL POSITION

(All amounts are in Liberian dollars)

| | Note | At December 31 2023 | 2022 |
|---|---|---|---|
| **Assets** | | | |
| Cash and bank balances | 16 | **14,983,509,952** | 7,503,298,345 |
| Investment securities | 17 | **14,690,588,971** | 9,182,021,854 |
| Loans and advances to customers | 18 | **17,691,624,416** | 16,863,650,183 |
| Property and equipment | 19 | **1,358,139,469** | 1,158,436,353 |
| Intangible assets | 20 | **80,294,087** | 75,966,537 |
| Right-of-use assets | 22 | **367,375,335** | 397,751,706 |
| Other assets | 21 | **2,922,103,683** | 1,389,548,165 |
| **Total assets** | | **52,093,635,913** | 36,570,673,143 |
| | | | |
| **Liabilities** | | | |
| Deposits from customers | 23 | **45,793,277,393** | 32,068,101,635 |
| Due to related parties | 25 | **40,353** | 154,491 |
| Current income tax liabilities | 15 | **117,082,359** | 15,598,380 |
| Deferred tax liabilities | 24 | **295,550,071** | 121,137,377 |
| Lease liabilities | 22 | **318,977,016** | 276,605,505 |
| Other liabilities | 26 | **1,720,187,640** | 868,601,329 |
| **Total liabilities** | | **48,245,114,832** | 33,350,198,717 |
| | | | |
| **Equity** | | | |
| Share capital | 27 | **1,062,500,000** | 1,062,500,000 |
| Retained earnings | 27 | **2,674,655,273** | 1,561,829,013 |
| Foreign currency translation reserve | 27 | **(503,470,392)** | 177,690,318 |
| Statutory reserve | 27 | **614,836,200** | 418,455,095 |
| **Total equity attributable to owners of the Bank** | | **3,848,521,081** | 3,220,474,426 |
| | | | |
| **Total liabilities and equity** | | **52,093,635,913** | 36,570,673,143 |

The notes on pages 17 to 76 are an integral part of these financial statements.

The financial statements on pages 12 to 76 were approved by the Board of Directors on FEB 23 2024 and signed on their behalf by:

P.P.

Chairman of the Board

Managing Director

Company Secretary

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

| | | Year ended December 31 | |
|---|---|---|---|
| | **Note** | **2023** | 2022 |
| Interest income | 5 | **2,812,829,004** | 1,897,573,443 |
| Interest expense | 6 | **(568,470,417)** | (355,096,767) |
| **Net interest income** | | **2,244,358,587** | 1,542,476,676 |
| Fee and commission income | 7 | **1,701,459,260** | 1,416,465,654 |
| Fee and commission expense | 8 | **(243,992,992)** | (36,985,866) |
| **Net fee and commission income** | | **1,457,466,268** | 1,379,479,788 |
| Net trading income/ (expenses) | 9 | **31,292,895** | (12,552,696) |
| Other income | 10 | **923,131,911** | 181,103,077 |
| **Other income** | | **954,424,806** | 168,550,381 |
| **Operating income** | | **4,656,249,661** | 3,090,506,845 |
| Personnel expenses | 11 | **(540,784,857)** | (363,336,582) |
| Impairment charge on financial assets | 12 | **(1,098,050,560)** | (588,797,360) |
| Depreciation and amortization | 13 | **(288,472,038)** | (223,910,589) |
| Other operating expenses | 14 | **(1,048,851,595)** | (1,433,932,875) |
| **Profit before income tax** | | **1,680,090,611** | 480,529,439 |
| Income tax expense | 15 | **(370,883,246)** | (95,767,510) |
| **Profit for the year** | | **1,309,207,365** | 384,761,929 |
| Other comprehensive income | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Exchange difference on translation from US dollars to Liberian dollars | | (**681,160,710)** | (129,680,970) |
| **Total comprehensive income attributable to equity holders of the Bank** | | **628,046,655** | 255,080,959 |

The notes on pages 17 to 76 are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

(All amounts are in Liberian dollars)

| | Note | Year ended December 31<br>**2023** | 2022 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | **1,680,090,611** | 480,529,439 |
| **Adjustments for:** | | | |
| Depreciation and amortization | 13 | **288,472,038** | 223,910,589 |
| Gains on disposal of property and equipment | 19 | **(204,559)** | - |
| Interest expense on lease liabilities | 22 | **16,553,682** | 15,169,876 |
| Exchange loss on lease liabilities | 22 | **59,161,629** | 16,725,082 |
| **Changes in:** | | **-** | |
| Loans and advances to customers | 18 | **(827,974,233)** | (4,091,509,723) |
| Other assets | 21 | **(1,532,555,518)** | (439,644,819) |
| Deposits from customers | 23 | **13,725,175,758** | 11,535,732,693 |
| Mandatory deposits | 16 | **(1,150,174,269)** | (355,387,636) |
| Due to related parties | 25 | **(114,138)** | 98,634 |
| Other liabilities | 26 | **851,586,311** | 30,184,684 |
| Income tax paid | 15 | **(94,986,573)** | (234,400,175) |
| **Net cash inflow from operating activities** | | **13,015,030,739** | 7,181,408,644 |
| **Cash flows from investing activities** | | | |
| Net purchases of investment securities | 17 | **(5,508,567,117)** | (6,142,907,081) |
| Purchase of property and equipment | 19 | **(220,974,886)** | (262,226,239) |
| Purchase of intangible assets | 20 | **(19,434,429)** | (39,938,613) |
| Proceeds from the disposal of property and equipment | 19 | **700,510** | - |
| **Net cash outflow from investing activities** | | **(5,748,275,922)** | (6,445,071,933) |
| **Cash flows from financing activities** | | | |
| Finance lease payments | 22 | **(33,343,800)** | (19,399,018) |
| **Net cash outflow from financing activities** | | **(33,343,800)** | (19,399,018) |
| Net increase in cash and cash equivalents | | **7,233,411,017** | 716,937,693 |
| Cash and cash equivalents at beginning of year | | **5,587,866,250** | 5,013,503,522 |
| Effect of exchange rate fluctuations | | **(903,373,679)** | (142,574,965) |
| **Cash and cash equivalents at the end of the year** | 16 | **11,917,903,588** | 5,587,866,250 |

The notes on pages 17 to 76 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

(All amounts are in Liberian dollars)

| **Year ended December 31, 2023** | **Share capital** | **Statutory Reserve** | **Foreign currency translation reserve** | **Retained earnings** | **Total** |
|---|---|---|---|---|---|
| Balance at January 1, 2023 | 1,062,500,000 | 418,455,095 | 177,690,318 | 1,561,829,013 | **3,220,474,426** |
| Profit for the year | - | | - | 1,309,207,365 | **1,309,207,365** |
| **Other comprehensive income** | | | | | |
| Foreign currency translation | - | - | (681,160,710) | - | **(681,160,710)** |
| **Total comprehensive income** | **-** | **-** | **(681,160,710)** | **1,309,207,365** | **628,046,655** |
| Transfer to statutory reserve | - | 196,381,105 | - | (196,381,105) | - |
| **Balance at December 31, 2023** | **1,062,500,000** | **614,836,200** | **(503,470,392)** | **2,674,655,273** | **3,848,521,081** |

The notes on pages 17 to 76 are an integral part of these financial statements.

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

| Year ended December 31, 2022 | Share capital | Statutory Reserve | Foreign currency translation reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2022 | 1,062,500,000 | 360,740,806 | 307,371,288 | 1,234,781,373 | 2,965,393,467 |
| Profit for the year | - | - | - | 384,761,929 | 384,761,929 |
| Other comprehensive income | | | | | |
| Foreign currency translation | - | - | (129,680,970) | - | (129,680,970) |
| Total comprehensive income | - | - | (129,680,970) | 384,761,929 | 255,080,959 |
| Transfer to statutory reserve | - | 57,714,289 | - | (57,714,289) | - |
| Balance at December 31, 2022 | 1,062,500,000 | 418,455,095 | 177,690,318 | 1,561,829,013 | 3,220,474,426 |

The notes on pages 17 to 76 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 Nigeria Limited. The Bank operates with a universal Banking license that allows it to undertake all banking and related service.

### 2. Material 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 statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the New Financial Institutions Act (1999) and the Business Corporation Act of the Associations Law (amended) 2020. 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 judgment in the process of applying the Bank's accounting policies.

#### (a) Functional and presentation currency

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

#### (b) Use of estimates and judgments

The preparation of the financial statements requires the directors to make judgments, 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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**NOTES (continued)**

## 2. Material accounting policies (continued)

### 2.2 Changes in accounting policies and disclosures

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

Amendments to the following standards became effective in the annual period starting from 1 January 2023. The new reporting requirements as a result of the amendments and/or clarifications have been evaluated and their impact or otherwise are noted below:

**IFRS 17 – Insurance Contracts**

The IASB issued IFRS 17 in May 2017 and applies to annual reporting periods beginning on or after 1 January 2023. The new IFRS 17 standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard.

The objective of IFRS 17 is to ensure an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. This standard does not impact on the Bank in anyway as the Bank does not issue insurance contracts.

**Amendments to IAS 8 – Definition of Accounting Estimates**

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the Board. The amendment does not have any material impact on the Bank.

**Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgment is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss. The amendment does not have any material impact on the Bank.

**NOTES (continued)**

## 2. Material 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 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies**

In February 2021, the Board issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosure.

The amendment is not expected to have any material impact on the Bank.

### (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, 2023.

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 IAS 1 – Classification of Liabilities as Current or Non-current**

In January 2020, the IASB issued amendment to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendment clarify:

- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The Board also added two new paragraphs (Paragraph 76A and 76B) to IAS1 to clarify what is meant by "settlement" of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.The amendment does not have any material impact on the Bank.

**NOTES (continued)**

## 2. Material accounting policies (continued)

### 2.2 Changes in accounting policies and disclosures (continued)

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

**Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback**

In September 2022, the Board issued Lease Liability in a Sale and Leaseback. The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

However, the requirements do not prevent the seller-lessee from recognizing any gain or loss arising from the partial or full termination of a lease.

The amendment is not expected to have any significant impact on the Bank at the time it will take effect, as there is non-existent of such transaction as Sale and Leaseback within the Bank or with external parties.

**Amendments to IAS 7 & IFRS 7 – Supplier Finance Arrangements**

In May 2023, the Board issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments. The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity's suppliers.

The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements, quantitative information on liabilities related to those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amounts of those arrangements. The information on those arrangements is required to be aggregated unless the individual arrangements have dissimilar or unique terms and conditions. The amendment does not have any material impact on the Bank.

**Amendments to IAS 21 – Lack of exchangeability**

In August 2023, the Board issued Lack of exchangeability amendments to IAS 21. The amendments specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique.

**NOTES (continued)**

## 2. Material 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 recognized in foreign currency translation reserve.

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

- assets and liabilities are translated at the closing rate at the balance sheet date;
- income and expenses are translated at average exchange rates; and
- all resulting exchange differences are recognized within foreign currency translation reserve in other comprehensive income.

### 2.4 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized in statement of comprehensive income 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 statement of comprehensive income include interest on financial assets and liabilities measured at amortised cost and calculated on an effective interest rate basis.

### 2.5 Fees and commissions

Fees and commissions 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 recognized as the related services are provided / performed.

### 2.6 Net gains/losses on foreign exchange trading

Net gains/losses on foreign exchange trading comprise trading gains and losses related to foreign exchange purchases from and sale to customers.

**NOTES (continued)**

## 2. Material accounting policies (continued)

### 2.7 Leases

The Bank leases various offices, branches and other premises. Rental contracts are made for fixed periods of up to five years with an option to renew the lease after that date.

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Bank is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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.

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.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Bank uses that rate as a starting point to determine the incremental borrowing rate.

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 Bank is reasonably certain to exercise a purchase option, the right-of- use asset is depreciated over the underlying asset's useful life.

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 without a purchase option. (Low-value assets comprise IT equipment and small items of office furniture).

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 payments that are based on an index or a rate, initially measured using the index or rate 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 Bank 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 Material accounting policies (continued)

### 2.7 Leases (continued)

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.

*Extension and termination options*

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 recognized in the profit or loss except to the extent that it relates to items recognized 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 recognized as an expense for the period except to the extent that current tax relate to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, deferred income tax is charged or credited to other comprehensive income or to equity.

Where the Bank has tax losses that can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position. 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 recognized 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 recognized 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 and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same entity.

**NOTES (continued)**

## 2 Material accounting policies (continued)

### 2.9 Financial assets and liabilities

### (a) Recognition

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

### (b) Classification and measurement

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

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

*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. Amortization 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, unrealised gains and losses on debt instruments measured at FVOCI are recorded in Other Comprehensive Income (OCI), unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship any changes in fair value due to changes in the hedged risk is recognized in non-interest income in the statement of comprehensive income. Upon derecognition, realized gains and losses are reclassified from Other Comprehensive Income and recorded in non-interest income in the statement of comprehensive income. Foreign exchange gains and losses that relate to the amortised cost of the debt instrument are recognized 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. Realized and unrealized gains and losses are recognized as part of non-interest income in the statement of comprehensive income.

**NOTES (continued)**

## 2 Material accounting policies (continued)

### 2.9 Financial assets and liabilities (continued)

### (b) Classification and measurement (continued)

*Financial assets measured at FVTPL*

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest.

Financial assets may also be designated at FVTPL if by so doing eliminates or significantly reduces an accounting mismatch which would otherwise arise. These instruments are measured at fair value in the statement of financial position, with transaction costs recognized immediately in the statement of comprehensive income as part of non-interest income. Realized and unrealized gains and losses are recognized as part of non-interest income in the statement of comprehensive income.

**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.

*Business model assessment*

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of assets in a portfolio is evaluated and reported to the heads of departments and other key decision makers within the Bank’s business lines;
- The risks that affect the performance of assets held within a business model and how those risks are managed;
- How compensation is determined for the Bank’s business line management that manage 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.

**NOTES (continued)**

## 2 Material accounting policies (continued)

### 2.9 Financial assets and liabilities (continued)

### (b) Classification and measurement (continued)

**Debt instruments (continued)**

*Cash flow characteristics assessment*

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

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instruments due to repayments. Interest is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

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

**Equity instruments**

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

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase. For equity instruments measured at FVTPL, changes in fair value are recognized as part of ‘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 derecognized/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 customers and due to related parties. There are no financial liabilities measured at fair value through profit or loss.

**NOTES (continued)**

## 2 Material accounting policies (continued)

### 2.9 Financial assets and liabilities (continued)

### (c) Reclassifications

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

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

### (d) Modification of financial assets

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

Any difference between the 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 statement of comprehensive income 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 recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in statement of comprehensive income.

### (e) De-recognition of financial instruments

**Financial assets**

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

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

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

**Financial liabilities**

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

**NOTES (continued)**

## 2 Material 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 FVOCI;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

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

#### (g) Offsetting financial instruments

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

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

Income and expenses are presented on a net basis only when permitted under IFRS or for gains and losses arising from a 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. 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 recognizes items of property and equipment at the time the cost is incurred. These costs include costs incurred initially to acquire or construct an item of property and equipment. This cost also includes the costs of its dismantlement, removal or restoration, if applicable, 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. The Bank applies the cost model for the measurement of land.

**NOTES (continued)**

## 2. Material accounting policies (continued)

### 2.11 Property and equipment (continued)

**Subsequent costs**

The cost of replacing part of an item of property or equipment is recognized 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 derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement of comprehensive income as incurred.

**Depreciation**

Depreciation is recognized in the statement of comprehensive income 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 derecognized and the date the asset is classified as held for sale in accordance with IFRS 5.

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 |
| Land | Not depreciated |

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 derecognized 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 statement of comprehensive income in the year the asset is derecognized.

### 2.12 Intangible assets – Software

Software acquired by the Bank is stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on software assets is capitalized 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.

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

**NOTES (continued)**

## 2. Material accounting policies (continued)

### 2.12 Intangible assets – Software (continued)

**De-recognition**

An item of software acquired by the Bank is derecognized 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 statement of comprehensive income in the year the asset is derecognized.

### 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 recognized 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 recognized 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 recognized 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 recognized.

### 2.14 Deposits

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 recognized in the Bank's financial statements.

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

### 2.15 Provisions

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

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

**NOTES (continued)**

## 2. Material accounting policies (continued)

### 2.15 Provisions (continued)

A provision for onerous contracts is recognized 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 recognizes 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 recognized 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).

### 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 recognized 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 recognized 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 recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 2.18 Share capital and reserves

*Ordinary shares*

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

*Share issue costs*

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

*Dividend on the Bank’s ordinary shares*

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

**NOTES (continued)**

## 3. Financial risk management

### 3.1 Introduction and overview

The Bank has an Enterprise 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 Management Committee, Board Asset and Liability 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 Board 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 recognizes 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:

- Institutionalization of sound credit culture in the Bank;
- Maintenance of an efficient loan portfolio;
- Adoption of international best practices in credit risk management; and
- 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 credits 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 authorization structure* for the approval and renewal of credit facilities. Authorization limits are allocated to the Management Credit Committee, 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 categorize 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 Team.
- *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 Team 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 authorized by the Board Credit Committee.

#### 3.3.2 Credit risk measurement

In line with IFRS 9, the Bank applies 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 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 allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Bank adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition.

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a Significant Increase in Credit Risk (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.

**NOTES (continued)**

## 3. Financial risk management (continued)

### 3.3 Credit risk (continued)

### 3.3.2 Credit risk measurement (continued)

**Expected Credit Loss model (continued)**

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

**Measurement of expected credit losses**

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. Details of these statistical parameters/inputs are as follows:

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

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 judgment.

**NOTES (continued)**

## 3. Financial risk management (continued)

### 3.3 Credit risk (continued)

### 3.3.2 Credit risk measurement (continued)

**Macroeconomic factors**

The Bank relies on a broad range of forward-looking information as economic inputs, such as: GDP growth, unemployment 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 judgment.

The most significant period end assumptions used for the ECL estimate as at December 31, 2023 are set out below:

| Scenario | Weight | LRD/USD exchange rate | Inflation | Monetary policy rate |
|---|---|---|---|---|
| Base case | 50% | 188.46 | 6.5% | 20.0% |
| Upside | 20% | 186.58 | 6.8% | 19.8% |
| Downside | 30% | 190.35 | 6.2% | 20.3% |

Economic variable forecasts have also been updated in response to COVID-19; with key indicators being adjusted to reflect the impact of COVID-19 on the economy.

*Sensitivity to macroeconomic factors*

The changes to the expected credit loss allowance at December 31, 2022 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Bank's assumptions are set out below.

At December 31 2023, an increase/decrease of 100 basis points on the estimated exchange rate would have resulted in a decrease/increase in post-tax profit of LRD 164,254. (2022: LRD 103,426).

At December 31 2023, an increase/decrease of 100 basis points on the estimated inflation rate would have resulted in a decrease/increase in post-tax profit of LRD 328,734 (2022: LRD 432,749).

At December 31 2023, an increase/decrease of 100 basis points on the estimated monetary policy rate would have resulted in a decrease/increase in post-tax profit of LRD 269,281 (2022: LRD 265,147).

**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 judgment, and delinquency 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.

**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)**

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.

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 where 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.

**NOTES (continued)**

## 3. Financial risk management (continued)

### 3.3 Credit risk (continued)

### 3.3.2 Credit risk measurement (continued)

**Definition of default and credit impaired financial assets (continued)**

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 the debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- 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.

**Presentation of allowance for ECL**

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 loss allowance for both components and present the combined amount as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Loss allowance of ECL are presented in the statement of comprehensive income under ''Impairment charge on financial assets.''

**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 require endorsement at the appropriate level, as defined by the Bank.

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

**NOTES (continued)**

## 3. Financial risk management (continued)

### 3.3 Credit risk (continued)

### 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.

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 guard 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 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 year, 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 (or its LRD equivalent) |
| Managing Director | Up to US$150,000 (or its LRD equivalent) |

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)

**(d) 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, Guarantees and Letters of Credits 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.

**(e) Contingencies**

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

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

**(f) 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 Management Credit Committee.

#### 3.3.4 Credit risk exposures

The maximum exposure to credit risk before collateral held and other credit enhancements:

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

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

| **Maximum Exposure** | **2023** | 2022 |
|---|---|---|
| **Classification** | | |
| Cash and cash equivalents: | | |
| - Balances held with other banks | **6,340,797,706** | 2,732,580,690 |
| - Balances with Central Bank | **4,991,612,178** | 2,983,435,493 |
| - Money market placements | **1,875,237,320** | 468,182,822 |
| Investment securities at amortised cost | **14,690,588,971** | 9,182,021,854 |
| Loans and advances to customers: | | |
| - Loans to individuals | **2,355,893,253** | 3,964,989,156 |
| - Loans to non-individuals | **15,335,731,163** | 12,898,661,028 |
| Other financial assets[1] | **2,889,600,161** | 1,354,913,939 |
| **Total** | **48,479,460,752** | 33,584,784,982 |
| Loans exposure to total exposure | **36%** | 50% |
| Other exposure to total exposure | **64%** | 50% |

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

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

## 3. Financial risk management (continued)

### 3.3 Credit risk (continued)

### 3.3.4 Credit risk exposures (continued)

***Credit risk exposures relating to Off-Balance Sheet***

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

| Maximum exposure | 2023 | 2022 |
|---|---|---|
| Financial guarantees | **779,239,706** | 1,000,534,194 |
| Letters of credit | **20,076,079** | 777,484,224 |
| | **799,315,785** | 1,778,018,418 |

The Bank's financial assets are categorized 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 categorized in the various stages.

| At December 31, 2023 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Bank balances | 13,229,156,555 | - | - | **13,229,156,555** |
| Investment securities | 13,576,553,655 | - | 1,881,311,957 | **15,457,865,612** |
| Loans and advances to customers | 14,787,735,401 | 959,986,215 | 2,584,881,672 | **18,332,603,288** |
| Other financial assets | 2,889,600,161 | - | - | **2,889,600,161** |
| Gross carrying amount | **44,483,045,772** | **959,986,215** | **4,466,193,629** | **49,909,225,616** |
| Loss allowance | (153,546,267) | (4,160,309) | (1,272,058,288) | **(1,429,764,864)** |
| **Carrying amount** | **44,329,499,505** | **955,825,906** | **3,194,135,341** | **48,479,460,752** |

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

## 3. Financial risk management (continued)

### 3.3 Credit risk (continued)

### 3.3.4 Credit risk exposures (continued)

| At December 31, 2022 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Bank balances | 6,184,199,005 | - | - | 6,184,199,005 |
| Investment securities | 8,215,120,061 | - | 1,434,965,907 | 9,650,085,968 |
| Loans and advances to customers | 13,927,026,250 | 1,775,161,691 | 1,581,653,296 | 17,283,841,237 |
| Other financial assets | 1,354,913,939 | - | - | 1,354,913,939 |
| Gross carrying amount | 29,681,259,255 | 1,775,161,691 | 3,016,619,203 | 34,473,040,149 |
| Loss allowance | (173,503,817) | (19,418,319) | (695,333,031) | (888,255,167) |
| **Carrying amount** | 29,507,755,438 | 1,755,743,372 | 2,321,286,172 | 33,584,784,982 |

**Concentration of risks of financial assets with credit risk exposures**

**Geographical region**

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

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

| **At December 31, 2023** | **Liberia** | **Outside Liberia** | **Total** |
|---|---|---|---|
| **Classification** | | | |
| Cash and cash equivalents: | | | |
| - Balances held with other banks | - | 6,340,797,706 | 6,340,797,706 |
| - Balances with Central Bank | 4,991,612,178 | - | 4,991,612,178 |
| - Money market placements | - | 1,875,237,320 | 1,875,237,320 |
| Investment securities at amortised cost | 11,599,108,907 | 3,091,480,064 | 14,690,588,971 |
| Loans and advances to customers: | | | |
| - Loans to individuals | 2,355,893,253 | - | 2,355,893,253 |
| - Loans to non-individuals | 15,335,731,163 | - | 15,335,731,163 |
| Other financial assets | 2,889,600,161 | - | 2,889,600,161 |
| **Total** | **37,171,945,662** | **11,307,515,090** | **48,479,460,752** |

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

## 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, 2022 | Liberia | Outside Liberia | Total |
|---|---|---|---|
| Classification | | | |
| Cash and cash equivalents: | | | |
| - Balances held with other banks | - | 2,732,580,690 | 2,732,580,690 |
| - Balances with Central Bank | 2,983,435,493 | - | 2,983,435,493 |
| - Money market placements | - | 468,182,822 | 468,182,822 |
| Investment securities at amortised cost | 6,612,371,042 | 2,569,650,812 | 9,182,021,854 |
| Loans and advances to customers: | | | |
| - Loans to individuals | 3,964,989,155 | - | 3,964,989,155 |
| - Loans to non-individuals | 12,898,661,028 | - | 12,898,661,028 |
| Other financial assets | 1,354,913,939 | - | 1,354,913,939 |
| **Total** | 27,814,370,657 | 5,770,414,324 | 33,584,784,981 |

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

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

| **At December 31, 2023** | **Liberia** | **Outside Liberia** | **Total** |
|---|---|---|---|
| Financial guarantees | 779,239,706 | - | **779,239,706** |
| Letters of credit | 20,076,079 | - | **20,076,079** |
| | **799,315,785** | **-** | **799,315,785** |

| **At December 31, 2022** | Liberia | Outside Liberia | Total |
|---|---|---|---|
| Financial guarantees | 1,000,534,194 | - | 1,000,534,194 |
| Letters of credit | 777,484,224 | - | 777,484,224 |
| | 1,778,018,418 | - | 1,778,018,418 |

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

## 3. Financial risk management (continued)

### 3.3 Credit risk (continued)

### 3.3.5 Loans and advances

Loans and advances are summarized as follows:

| At December 31, 2023 | Loans to Individual | Loans to non-Individual | Total |
|---|---|---|---|
| Loans | 1,900,881,199 | 7,749,727,888 | **9,650,609,087** |
| Overdrafts | 351,863,206 | 4,785,263,108 | **5,137,126,314** |
| **Stage 1 – 12-month ECL** | **2,252,744,405** | **12,534,990,996** | **14,787,735,401** |
| Loans | 70,259,469 | 712,002,640 | **782,262,109** |
| Overdrafts | 80,453 | 177,643,653 | **177,724,106** |
| **Stage 2 - Lifetime ECL not credit impaired** | **70,339,922** | **889,646,293** | **959,986,215** |
| Loans | 202,881,391 | 1,664,395,977 | **1,867,277,368** |
| Overdrafts | 1,709,050 | 715,895,254 | **717,604,304** |
| **Stage 3 – Non-performing Loans** | **204,590,441** | **2,380,291,231** | **2,584,881,672** |
| **Total gross loans and advances** | **2,527,674,768** | **15,804,928,520** | **18,332,603,288** |

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

## 3. Financial risk management (continued)

### 3.3 Credit risk (continued)

#### 3.3.5 Loans and advances (continued)

The impairment allowance on loans is further analyzed as follows:

| **At December 31, 2023** | **Loans to Individual** | **Loans to non-Individual** | **Total** |
|---|---|---|---|
| Loans | 26,605,722 | 53,078,993 | **79,684,715** |
| Overdrafts | 8,555,185 | 42,956,781 | **51,511,966** |
| **Stage 1 – 12-month ECL** | **35,160,907** | **96,035,774** | **131,196,681** |
| Loans | 1,543,928 | 2,615,340 | **4,159,268** |
| Overdrafts | 483 | 558 | **1,041** |
| **Stage 2 - Lifetime ECL not credit impaired** | **1,544,411** | **2,615,898** | **4,160,309** |
| Loans | 133,506,807 | 307,001,526 | **440,508,333** |
| Overdrafts | 1,569,390 | 63,544,159 | **65,113,549** |
| **Stage 3 – Non-performing loans** | **135,076,197** | **370,545,685** | **505,621,882** |
| Total allowance | **171,781,515** | **469,197,357** | **640,978,872** |

| At December 31, 2022 | Loans to Individual | Loans to non-Individual | Total |
|---|---|---|---|
| Loans | 3,667,249,645 | 7,023,768,138 | 10,691,017,783 |
| Overdrafts | 244,041,783 | 2,991,966,684 | 3,236,008,467 |
| Stage 1 – 12-month ECL | 3,911,291,428 | 10,015,734,822 | 13,927,026,250 |
| Loans | 53,653,825 | 923,667,724 | 977,321,549 |
| Overdrafts | 109,021 | 797,731,121 | 797,840,142 |
| Stage 2 - Lifetime ECL not credit impaired | 53,762,846 | 1,721,398,845 | 1,775,161,691 |
| Loans | 164,986,073 | 1,131,056,255 | 1,296,042,328 |
| Overdrafts | 1,637,840 | 283,973,128 | 285,610,968 |
| Stage 3 – Non-performing Loans | 166,623,913 | 1,415,029,383 | 1,581,653,296 |
| Total gross loans and advances | 4,131,678,187 | 13,152,163,050 | 17,283,841,237 |

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

## 3. Financial risk management (continued)

### 3.3 Credit risk (continued)

### 3.3.5 Loans and advances (continued)

The impairment allowance on loans is further analyzed as follows:

| At December 31, 2022 | Loans to Individual | Loans to non-Individual | Total |
|---|---|---|---|
| Loans | 40,478,251 | 61,085,399 | 101,563,650 |
| Overdrafts | 13,066,595 | 58,873,572 | 71,940,167 |
| Stage 1 – 12-month ECL | 53,544,846 | 119,958,971 | 173,503,817 |
| Loans | 1,108,502 | 18,116,072 | 19,224,574 |
| Overdrafts | 30,139 | 163,606 | 193,745 |
| Stage 2 - Lifetime ECL not credit impaired | 1,138,641 | 18,279,678 | 19,418,319 |
| Loans | 110,482,649 | 59,103,039 | 169,585,688 |
| Overdrafts | 1,522,896 | 56,160,334 | 57,683,230 |
| Stage 3 – Non-performing loans | 112,005,545 | 115,263,373 | 227,268,918 |
| Total allowance | 166,689,032 | 253,502,022 | 420,191,054 |

**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, 2023** | **Gross Loans** | **Collateral** |
|---|---|---|
| Against Stage 1 Loans and Advances | 14,787,735,402 | 48,038,156,207 |
| Against Stage 2 Loans and Advances | 959,986,214 | 4,111,988,936 |
| Against Stage 3 Loans and Advances | 2,584,881,672 | 7,449,484,347 |
| **Total** | **18,332,603,288** | **59,599,629,490** |

| At December 31, 2022 | | |
|---|---|---|
| Against Stage 1 Loans and Advances | 13,927,026,250 | 24,167,021,039 |
| Against Stage 2 Loans and Advances | 1,775,161,691 | 8,955,762,949 |
| Against Stage 3 Loans and Advances | 1,581,653,296 | 4,112,097,709 |
| Total | 17,283,841,237 | 37,234,881,697 |

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

## 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, 2023** | **Term Loans** | **Overdrafts** | **Total** |
|---|---:|---:|---:|
| **Against Stage 1 Loans and advances:** | | | |
| Property | 27,835,863,548 | 2,925,110,743 | 30,760,974,291 |
| Cash | 914,880,614 | 16,265,225,790 | 17,180,106,404 |
| Others# | 108,096,512 | - | 108,096,512 |
| **Total** | **28,858,840,674** | **19,190,336,533** | **48,049,177,207** |
| **Against Stage 2 Loans and advances:** | | | |
| Property | - | 2,671,659,994 | 2,671,659,994 |
| Others# | - | 1,429,307,942 | 1,429,307,942 |
| **Total** | **-** | **4,100,967,936** | **4,100,967,936** |
| **Against Stage 3 Loans and advances:** | | | |
| Property | 6,329,623,995 | 1,119,860,352 | 7,449,484,347 |
| **Total** | **6,329,623,995** | **1,119,860,352** | **7,449,484,347** |
| **Grand total** | **35,188,464,669** | **24,411,164,821** | **59,599,629,490** |

#Others include lien on equipment, counter indemnity, cash collaterals.

| At December 31, 2022 | Term Loans | Overdrafts | Total |
|---|---:|---:|---:|
| Against Stage 1 Loans and advances: | | | |
| Property | 7,124,087,419 | 16,302,805,070 | 23,426,892,489 |
| Cash | 116,668,302 | 460,986,793 | 577,655,095 |
| Others# | 162,473,456 | - | 162,473,456 |
| Total | 7,403,229,177 | 16,763,791,863 | 24,167,021,040 |
| Against Stage 2 Loans and advances: | | | |
| Property | - | 6,765,692,862 | 6,765,692,862 |
| Others# | - | 2,190,070,086 | 2,190,070,086 |
| Total | - | 8,955,762,948 | 8,955,762,948 |
| Against Stage 3 Loans and advances: | | | |
| Property | 1,786,028,289 | 2,306,062,784 | 4,092,091,073 |
| Others# | - | 20,006,636 | 20,006,636 |
| Total | 1,786,028,289 | 2,326,069,420 | 4,112,097,709 |
| Grand total | 9,189,257,466 | 28,045,624,231 | 37,234,881,697 |

#Others include lien on equipment, counter indemnity, cash collaterals.

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

## 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:** | **2023** | 2022 |
|---|---|---|
| **TYPE** | | |
| Loans | **10,432,871,214** | 11,668,339,332 |
| Overdrafts | **5,314,850,402** | 4,033,848,610 |
| Past Due Loans | **2,584,881,672** | 1,581,653,295 |
| **Total Gross Loans** | **18,332,603,288** | 17,283,841,237 |
| Collective Impairment | **(135,356,990)** | (192,922,136) |
| Specific Impairment | **(505,621,882)** | (227,268,918) |
| | **17,691,624,416** | 16,863,650,183 |
| **PERFORMANCE** | | |
| Performing | **15,747,721,616** | 15,702,187,942 |
| Impaired | **2,584,881,672** | 1,581,653,295 |
| **Total Gross Loans** | **18,332,603,288** | 17,283,841,237 |
| **CUSTOMER** | | |
| Individual | **2,527,674,768** | 4,131,678,187 |
| Private Corporation & Business | **15,452,429,853** | 12,733,714,171 |
| Central and other level of Government | **352,498,667** | 418,448,879 |
| **Total Gross Loans** | **18,332,603,288** | 17,283,841,237 |
| **SECTOR** | | |
| Agriculture, Fishery & Forestry | **1,210,105,711** | 1,024,429,812 |
| Mining & Quarry | **274,635,117** | 219,547,628 |
| Manufacturing | **1,709,607,528** | 1,299,481,101 |
| Communication | **457,614,539** | 178,813,571 |
| Transportation | **150,280,369** | 166,836,204 |
| Oil & Gas | **243,585,004** | 1,338,474,831 |
| Government of Liberia | **352,498,667** | 418,448,879 |
| Others | **13,934,276,353** | 12,637,809,211 |
| **Total Gross Loans** | **18,332,603,288** | 17,283,841,237 |

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

## 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 met 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 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 the Central Bank, balances in financial institutions in monetary areas designated by the Central Bank of Liberia and investment securities.

#### (iv) Liquidity ratio

The Bank's liquidity ratio as at December 31, 2023 was **34.2%** (2022: 36.4**%**) which is above the regulatory required ratio of 15%.

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

## 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 2023 | Carrying amount | Gross nominal inflow/outflow | Less than 3 months | 3 to less than 6 months | 6 to less than 12 months | 1 to 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| *Financial assets* | | | | | | | |
| Cash and cash equivalents | 14,983,509,952 | 15,028,809,745 | 14,062,524,201 | 966,285,544 | - | - | - |
| Investment securities | 14,690,588,971 | 16,900,101,430 | 316,436,939 | 4,287,117,342 | 530,570,612 | 11,765,976,537 | - |
| Loans and advances to customers | 17,691,624,416 | 18,796,937,275 | 11,779,847,826 | 2,301,489,111 | 2,373,256,761 | 2,315,306,621 | 27,036,956 |
| Other financial assets | 2,889,600,161 | 2,889,600,161 | 2,889,600,161 | - | - | - | - |
| **Total financial assets held for managing liquidity risk** | **50,255,323,500** | **53,615,448,611** | **29,048,409,127** | **7,554,891,997** | **2,903,827,373** | **14,081,283,158** | **27,036,956** |
| *Financial liabilities* | | | | | | | |
| Deposits from customers | 45,793,277,393 | 45,802,160,148 | 45,171,450,718 | 438,233,582 | 192,475,847 | - | - |
| Due to related parties | 40,353 | 40,353 | 40,353 | - | - | - | - |
| Lease liabilities | 318,977,016 | 527,084,160 | - | - | 33,150,747 | 126,584,970 | 367,348,443 |
| Other liabilities | 1,719,818,489 | 1,719,818,489 | 1,719,818,489 | - | - | - | - |
| **Total financial liabilities** | **47,832,113,251** | **48,049,103,150** | **46,891,309,560** | **438,233,582** | **225,626,594** | **126,584,970** | **367,348,443** |
| Gap (asset - liabilities) | | | **(17,842,900,433)** | **7,116,658,415** | **2,678,200,779** | **13,954,698,188** | **(340,311,487)** |

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

## 3. Financial risk management (continued)

### 3.4 Liquidity risk (continued)

| At December 31 2022 | Carrying amount | Gross nominal inflow/outflow | Less than 3 months | 3 to less than 6 months | 6 to less than12 months | 1 to 5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| *Financial assets* | | | | | | | |
| Cash and cash equivalents | 7,503,298,345 | 7,507,801,242 | 7,507,801,242 | - | - | - | - |
| Investment securities | 9,182,021,854 | 10,757,139,998 | 1,556,984,737 | 2,468,979,585 | 2,996,455,104 | 3,734,720,572 | - |
| Loans and advances to customers | 16,863,650,183 | 17,846,834,142 | 9,006,923,404 | 3,599,162,744 | 3,063,021,712 | 2,140,971,602 | 36,754,680 |
| Other financial assets | 1,354,913,939 | 1,354,913,939 | 1,354,913,939 | - | - | - | - |
| Total financial assets held for managing liquidity risk | 34,903,884,321 | 37,466,689,321 | 19,426,623,322 | 6,068,142,329 | 6,059,476,816 | 5,875,692,174 | 36,754,680 |
| *Financial liabilities* | | | | | | | |
| Deposits from customers | 32,068,101,635 | 32,075,357,016 | 30,877,450,030 | 801,393,638 | 396,513,348 | - | - |
| Due to related parties | 154,491 | 154,491 | 154,491 | - | - | - | - |
| Lease liabilities | 276,605,505 | 455,161,404 | - | - | 23,088,740 | 108,476,291 | 323,596,373 |
| Other liabilities | 868,298,720 | 868,298,720 | 868,298,720 | - | - | - | - |
| Total financial liabilities | 33,213,160,351 | 33,398,971,631 | 31,745,903,241 | 801,393,638 | 419,602,088 | 108,476,291 | 323,596,373 |
| Gap (asset - liabilities) | | | (12,319,279,919) | 5,266,748,691 | 5,639,874,728 | 5,767,215,883 | (286,841,693) |

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

## 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 Value-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 management. The Bank makes use of limit monitoring, earnings-at-risk, gap analysis 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. However, all potential risk exposures in the course of the year were successfully mitigated.

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

## 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, 2023** | | Sensitivity | |
|---|---|---|---|
| | **Interest amount** | **>2%** | **<2%** |
| *Financial assets* | | | |
| Cash and cash equivalents | 16,140,945 | 322,819 | (322,819) |
| Loans and advances to customers | 1,748,942,534 | 34,978,851 | (34,978,851) |
| Investment securities | 1,047,745,524 | 20,954,910 | (20,954,910) |
| | **2,812,829,003** | **56,256,580** | **(56,256,580)** |
| *Financial liabilities* | | | |
| Deposits from customers | 551,916,735 | 11,038,335 | (11,038,335) |
| Lease liabilities | 16,553,682 | 331,074 | (331,074) |
| | **568,470,417** | **11,369,409** | **(11,369,409)** |
| **Impact on post-tax profit and equity** | | | **44,887,171** |

| At December 31, 2022 | | Sensitivity | |
|---|---|---|---|
| | Interest amount | **>2%** | **<2%** |
| *Financial assets* | | | |
| Cash and cash equivalents | 8,323,849 | 166,475 | (166,475) |
| Loans and advances to customers | 1,414,653,155 | 28,293,063 | (28,293,063) |
| Investment securities | 474,596,439 | 9,491,931 | (9,491,931) |
| | 1,897,573,443 | 37,951,469 | (37,951,469) |
| *Financial liabilities* | | | |
| Deposits from customers | 339,926,891 | 6,798,538 | (6,798,538) |
| Lease liabilities | 15,169,876 | 303,398 | (303,398) |
| | 355,096,767 | 7,101,936 | (7,101,936) |
| Impact on post tax profit and equity | | | 30,849,533 |

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

## 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, 2023. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

**Financial instruments by currency**

| **At December 31, 2023** | **Total** | **USD** | **LRD** | **GBP** | **Euro** |
|---|---|---|---|---|---|
| Cash and cash equivalents | 14,983,509,952 | 14,090,110,764 | 623,218,698 | 162,822,621 | 107,357,869 |
| Investment securities | 14,690,588,971 | 13,919,777,006 | 770,811,965 | - | - |
| Loans and advances to customers | 17,691,624,416 | 16,948,473,086 | 743,151,330 | - | - |
| Other assets | 2,889,600,161 | 1,774,466,304 | 1,115,133,857 | - | - |
| **Total financial assets** | **50,255,323,500** | **46,732,827,160** | **3,252,315,850** | **162,822,621** | **107,357,869** |
| | | | | | |
| Deposits from customers | 45,793,277,393 | 43,426,607,191 | 2,366,214,563 | 24,633 | 431,006 |
| Due to related parties | 40,353 | 40,353 | - | - | - |
| Lease liabilities | 318,997,016 | 318,997,016 | - | - | - |
| Other liabilities | 1,719,818,489 | 1,640,139,299 | 72,140,785 | 2,459,871 | 5,078,534 |
| **Total financial liabilities** | **47,832,133,251** | **45,385,783,859** | **2,438,355,348** | **2,484,504** | **5,509,540** |

| At December 31, 2022 | Total | USD | LRD | GBP | Euro |
|---|---|---|---|---|---|
| Cash and cash equivalents | 7,503,298,345 | 6,260,000,745 | 866,297,438 | 98,893,932 | 278,106,230 |
| Investment securities | 9,182,021,854 | 7,871,617,659 | 1,310,404,195 | - | - |
| Loans and advances to customers | 16,863,650,183 | 16,177,868,255 | 685,781,894 | 34 | - |
| Other assets | 1,354,913,939 | 780,690,675 | 574,223,264 | - | - |
| Total financial assets | 34,903,884,321 | 31,090,177,334 | 3,436,706,791 | 98,893,966 | 278,106,230 |
| | | | | | |
| Deposits from customers | 32,068,101,635 | 29,373,506,816 | 2,694,428,012 | 9,548 | 157,259 |
| Due to related parties | 154,491 | 154,491 | - | - | - |
| Lease liabilities | 276,605,505 | 276,605,505 | - | - | - |
| Other liabilities | 868,298,720 | 814,071,492 | 52,320,303 | 1,906,925 | - |
| Total financial liabilities | 33,213,160,351 | 30,464,338,304 | 2,746,748,315 | 1,916,473 | 157,259 |

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

## 3. Financial risk management (continued)

### 3.5 Market risk (continued)

### 3.5.3 Foreign exchange risk (continued)

*Sensitivity analysis*

A 15% strengthening of the USD dollar against foreign currencies at December 31, 2023 would have increased equity and profit / (loss) by LRD 202,057,995 (2022: LRD 94,341,715).

A best case scenario 15% weakening of the USD dollars against foreign currencies at 31 December 2023 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 2023.

### 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 year. 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, 2023 was 16% as compared to 16% reported as at December 31, 2022, which was above the regulatory limit.

**At December 31, 2023**

| ASSETS | Weight | AMOUNT | VALUE |
|---|---|---|---|
| Cash Items | 0% | 1,775,862,748 | - |
| Due from CBL | 0% | 4,991,612,178 | - |
| Performing GOL Securities | 0% | 11,599,108,907 | - |
| Fully secured claims | 0% | 1,071,937,930 | - |
| Eligible claims on Sovereigns | 0% | 3,091,480,064 | - |
| Eligible claims on public | 0% | 352,498,666 | - |
| Eligible claims on banks | 20% | 7,197,758,711 | 1,439,551,742 |
| Eligible claims on banks | 50% | 566,596,761 | 283,298,381 |
| Eligible claims on banks | 100% | 575,165,514 | 575,165,514 |
| Retail exposures | 75% | 2,345,504,312 | 1,759,128,234 |
| Eligible claims on corporates | 100% | 12,946,465,406 | 12,946,465,406 |
| Eligible past due exposure | 100% | 975,218,101 | 975,218,101 |
| Other exposures | 100% | 3,165,231,233 | 3,165,231,233 |
| Fixed assets | 100% | 1,358,139,469 | 1,358,139,469 |
| | | **52,012,580,000** | **22,502,198,080** |

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

## 3. Financial risk management (continued)

### 3.6 Capital management (continued)

**Regulatory capital (continued)**

| | | | |
|---|---|---|---|
| **Off balance sheet exposures** | | | |
| Performance bonds, bid bonds and warranties | 50% | 779,239,706 | 389,619,853 |
| Documentary letters of credit | 20% | 20,076,079 | 4,015,216 |
| | | **799,315,785** | **393,635,069** |
| **TOTAL RISK WEIGHTED ASSETS** | | | **22,895,833,149** |
| | | | |
| **Core capital** | | | |
| Share capital | | | **1,062,500,000** |
| Statutory reserves | | | **614,836,200** |
| Retained earnings | | | **2,674,655,273** |
| Other distributable and legal reserves | | | **(503,470,392)** |
| **Total core capital** | | | **3,848,521,081** |
| | | | |
| **Deductions from Tier One (1) Capital:** | | | |
| Intangible assets | | | (80,294,087) |
| **Total Qualifying Capital** | | | **3,768,226,994** |
| **CAPITAL ADEQUACY RATIO** | | | **16%** |

At December 31, 2022

| ASSETS | Weight | AMOUNT | VALUE |
|---|---|---|---|
| Cash Items | 0% | 1,319,099,340 | - |
| Due from CBL | 0% | 2,983,435,493 | - |
| Performing GOL Securities | 0% | 6,145,513,678 | - |
| Fully secured claims | 0% | 797,695,973 | - |
| Eligible claims on Sovereigns | 0% | 3,036,508,175 | - |
| Eligible claims on public | 0% | 74,149,105 | - |
| Eligible claims on banks | 20% | 2,117,785,190 | 423,557,038 |
| Eligible claims on banks | 50% | 614,795,500 | 307,397,750 |
| Eligible claims on banks | 100% | 468,182,822 | 468,182,822 |
| Retail exposures | 75% | 3,910,370,788 | 2,932,778,091 |
| Eligible claims on corporates | 100% | 10,727,049,941 | 10,727,049,941 |
| Eligible past due exposure | 100% | 1,354,384,377 | 1,354,384,377 |
| Other exposures | 100% | 1,787,299,871 | 1,787,299,871 |
| Fixed assets | 100% | 1,158,436,353 | 1,158,436,353 |
| | | 36,494,706,606 | 19,159,086,243 |

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

## 3. Financial risk management (continued)

### 3.6 Capital management (continued)

**Regulatory capital (continued)**

| | | | |
|---|---|---|---|
| Off balance sheet exposures | | | |
| Performance bonds, bid bonds and warranties | 50% | 1,000,534,194 | 500,267,097 |
| Documentary letters of credit | 20% | 777,484,224 | 155,496,845 |
| | | 1,778,018,418 | 655,763,942 |
| TOTAL RISK WEIGHTED ASSETS | | | 19,814,850,185 |
| | | | |
| Core capital | | | |
| Share capital | | | 1,062,500,000 |
| Statutory reserves | | | 418,455,095 |
| Retained earnings | | | 1,561,829,013 |
| Other distributable and legal reserves | | | 177,690,318 |
| Total core capital | | | 3,220,474,426 |
| | | | |
| Deductions from Tier One (1) Capital: | | | |
| Intangible assets | | | (75,966,537) |
| Total Qualifying Capital | | | 3,144,507,889 |
| CAPITAL ADEQUACY RATIO | | | 16% |

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

## 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 judgment 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 recognized 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 judgment and estimation.

Availability of observable market prices and model inputs reduces the need for management judgment 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 unless otherwise stated)

## 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 categorized.

| | Note | Level 2 2023 | Level 3 2023 | Level 2 2022 | Level 3 2022 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 16 | - | 14,983,509,952 | - | 7,503,298,345 |
| Investment securities | 17 | 14,220,490,124 | | 8,888,197,155 | - |
| Loans and advances to customers | 18 | 17,691,624,416 | - | 16,863,650,183 | - |
| Other financial assets | 21 | - | 2,889,600,161 | - | 1,354,913,939 |
| | | **31,912,114,540** | **17,873,110,113** | 25,751,847,338 | 8,858,212,284 |
| **Liabilities** | | | | | |
| Deposits from customers | 23 | 45,793,277,393 | - | 32,068,101,635 | - |
| Due to related parties | 25 | 40,353 | - | 154,491 | - |
| Other liabilities | 26 | 1,719,818,489 | - | 868,298,720 | - |
| | | **47,513,136,235** | **-** | 32,936,554,846 | - |

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 unless otherwise stated)

## 4 Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments 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' judgments for certain items are especially critical for the Bank's results and financial situation due to their materiality.

### (i) Expected credit loss measurement

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 judgments 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 3.3.2 for further details on these estimates and judgments.

### (ii) Business model classification for 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 judgment. In making this judgment, 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. The Bank does not hold any financial assets under the hold to collect and sell and hold to sell business models.

### (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 recognizes 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 unless otherwise stated)

## 4. Critical accounting estimates and judgments (continued)

### (iv) Lease term (continued)

The following factors are normally the most relevant:

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

| | **2023** | 2022 |
|---|---|---|
| Loans and advances to customers | **1,748,942,535** | 1,414,653,155 |
| Cash and cash equivalents | **16,140,945** | 8,323,849 |
| Investment securities | **1,047,745,524** | 474,596,439 |
| | **2,812,829,004** | 1,897,573,443 |
| **Geographical location:** | | |
| Interest income earned in Liberia | **2,535,708,084** | 1,691,374,863 |
| Interest income earned outside Liberia | **277,120,920** | 206,198,580 |
| | **2,812,829,004** | 1,897,573,443 |

## 6. Interest expense

| | | |
|---|---|---|
| Deposit from customers | **551,916,735** | 339,926,891 |
| Lease liabilities | **16,553,682** | 15,169,876 |
| | **568,470,417** | 355,096,767 |

All interest expense are incurred in Liberia.

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

## 7. Fee and commission income

| | 2023 | 2022 |
|---|---|---|
| Credit related fees and commissions | **518,648,451** | 574,252,414 |
| Income from financial guarantee contracts issued | **147,919,875** | 95,414,905 |
| Commissions on Transfers | **560,491,280** | 374,504,147 |
| Account management charges | **320,849,848** | 179,895,454 |
| Other fee and commissions | **153,549,806** | 192,398,734 |
| | **1,701,459,260** | 1,416,465,654 |

## 8. Fee and commission expense

| | | |
|---|---|---|
| Correspondent banking charges | **243,780,850** | 36,807,197 |
| Recovery expenses | **212,142** | 178,669 |
| | **243,992,992** | 36,985,866 |

## 9. Net trading income/(expense)

| | | |
|---|---|---|
| Net foreign exchange gains /(losses) on trading | **31,292,895** | **(12,552,696)** |

## 10. Other income/(expenses) -net

| | | |
|---|---|---|
| Foreign exchange translation gain | **880,060,422** | 177,842,835 |
| Profit on disposal of property and equipment (Note 19) | **204,559** | - |
| Recoveries on claims previously written-off | **42,866,930** | 3,260,242 |
| | **923,131,911** | 181,103,077 |

## 11. Personnel expenses

| | | |
|---|---|---|
| Wages and salaries | **491,067,373** | 317,798,864 |
| Contributions to defined contribution plans | **24,693,234** | 21,812,732 |
| Other staff cost | **25,024,250** | 23,724,986 |
| | **540,784,857** | 363,336,582 |

The number of persons employed by the Bank as at December 31, 2023 was 125 (2022:137).

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

## 12. Impairment charge on financial assets

| | 2023 | 2022 |
|---|---|---|
| Loans and advances | **778,300,145** | 189,089,753 |
| Investment securities | **299,212,527** | 467,566,232 |
| Placements | **20,797,931** | 131,403 |
| Off balance sheet exposures | **(260,043)** | 158,511 |
| Recoveries during the year | **-** | (68,148,539) |
| | **1,098,050,560** | 588,797,360 |

## 13. Depreciation and amortization

| | 2023 | 2022 |
|---|---|---|
| Property and equipment (Note 19) | **229,286,704** | 175,555,674 |
| Intangible assets (Note 20) | **28,808,963** | 16,077,475 |
| Rights-of-use assets (Note 22) | **30,376,371** | 32,277,440 |
| | **288,472,038** | 223,910,589 |

## 14. Other operating expenses

| | 2023 | 2022 |
|---|---|---|
| Stationery and postage | **33,581,016** | 32,879,156 |
| Business travel expenses | **13,443,589** | 3,790,657 |
| Advertisements, promotion and corporate gifts | **14,285,994** | 10,177,932 |
| Repairs and maintenance | **53,413,493** | 59,223,837 |
| Directors' emoluments and expenses | **22,441,264** | 16,786,077 |
| Contract services | **265,842,632** | 221,834,136 |
| Insurance premium | **22,908,893** | 19,139,476 |
| Consulting and auditing costs | **25,718,874** | 10,643,678 |
| Management and technical services fees | **-** | 100,439,975 |
| Fuel expense | **85,342,806** | 103,008,740 |
| Legal and secretarial expenses | **61,630,481** | 22,560,019 |
| Donation and corporate subscription | **17,334,606** | 10,942,604 |
| Internet and communication | **154,124,853** | 104,484,456 |
| Cash shortages | **-** | 14,462,987 |
| Other expenses | **270,119,813** | 695,915,039 |
| Expenses relating to short term leases (Note 22) | **8,663,281** | 7,644,106 |
| | **1,048,851,595** | 1,433,932,875 |

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

## 15. Income taxes

*Income tax expense*

| | **2023** | 2022 |
|---|---|---|
| Current income tax charge | **196,470,552** | 64,398,731 |
| Deferred income tax charge (note 24) | **174,412,694** | 31,368,779 |
| | **370,883,246** | 95,767,510 |

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:

| | **2023** | 2022 |
|---|---|---|
| Profit before income tax | **1,680,090,611** | 480,529,439 |
| Tax calculated at the statutory income tax rate of 25% (2022: 25%) | **420,022,653** | 120,132,360 |
| Tax effects of: | | |
| Expenses not deductible for tax purposes | **77,030,678** | (13,939,666) |
| Tax incentives | **(126,170,085)** | (10,425,184) |
| **Income tax expense** | **370,883,246** | 95,767,510 |

*Current income tax*

| **Years of assessment** | **At January 1** | **Charge for the year** | **Payments during the year** | **At December 31** |
|---|---|---|---|---|
| Up to 2022 | 15,598,380 | - | - | **15,598,380** |
| 2023 | - | 196,470,552 | (94,986,573) | **101,483,979** |
| | **15,598,380** | **196,470,552** | **(94,986,573)** | **117,082,359** |
| Up to 2021 | 185,599,824 | - | - | 185,599,824 |
| 2022 | - | 64,398,731 | (234,400,175) | (170,001,444) |
| | 185,599,824 | 64,398,731 | (234,400,175) | 15,598,380 |

## 16. Cash and bank balances

| | **2023** | 2022 |
|---|---|---|
| Cash in hand | **1,775,862,748** | 1,319,099,340 |
| Balances with other banks | **6,340,797,706** | 2,732,580,690 |
| Balances with Central Bank | **4,991,612,178** | 2,983,435,493 |
| Money market placements | **1,875,237,320** | 468,182,822 |
| | **14,983,509,952** | 7,503,298,345 |

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

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

## 16. Cash and bank balances (continued)

For the purposes of the statement of cash flows, cash and cash equivalents comprise;

| | **2023** | 2022 |
|---|---|---|
| Cash and bank balances | **14,983,509,952** | 7,503,298,345 |
| Less: Restricted cash with Central Bank | **(3,065,606,364)** | (1,915,432,095) |
| | **11,917,903,588** | 5,587,866,250 |

## 17. Investment securities

| | | |
|---|---|---|
| Government bonds | **4,109,899,630** | 3,365,286,703 |
| Treasury bills | **11,347,965,982** | 6,284,799,265 |
| **Gross carrying amount** | **15,457,865,612** | 9,650,085,968 |
| Impairment allowance | **(767,276,641)** | (468,064,114) |
| **Carrying amount** | **14,690,588,971** | 9,182,021,854 |
| Current | **6,657,124,468** | 6,657,124,468 |
| Non-current | **8,033,464,503** | 2,524,897,386 |
| | **14,690,588,971** | 9,182,021,854 |

Investment securities are held at amortised cost.

## 18. Loans and advances to customers

| | | |
|---|---|---|
| Gross loans and advances to customers | **18,332,603,288** | 17,283,841,237 |
| Less: allowance for impairment | **(640,978,872)** | (420,191,054) |
| | **17,691,624,416** | 16,863,650,183 |
| Current | **15,450,692,440** | 14,841,971,263 |
| Non-current | **2,240,931,976** | 2,021,678,920 |
| | **17,691,624,416** | 16,863,650,183 |

**Allowance for impairment**

| | | |
|---|---|---|
| At January 1 | **420,191,054** | 1,434,238,836 |
| Impairment charge for the year | **778,300,145** | 189,089,753 |
| Write-off of loans previously fully provided for | **(557,512,327)** | (1,203,137,535) |
| **At December 31** | **640,978,872** | 420,191,054 |
| 12-month ECL | **131,196,681** | 173,503,817 |
| Lifetime ECL not credit impaired | **4,160,309** | 19,418,319 |
| Lifetime ECL credit impaired | **505,621,882** | 227,268,918 |
| | **640,978,872** | 420,191,054 |

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

## 19. Property and equipment

| | Motor vehicle | Premises | Furniture and equipment | Land | Capital work-in progress | Total |
|---|---|---|---|---|---|---|
| **December 31, 2023** | | | | | | |
| **Cost:** | | | | | | |
| Balance at beginning of the year | 223,826,211 | 995,237,401 | 1,371,540,333 | 39,522,063 | 162,241,257 | 2,792,367,265 |
| Additions | 29,965,712 | 17,593,480 | 143,882,820 | - | 29,532,874 | 220,974,886 |
| Disposals | (59,396,040) | - | (390,004,717) | - | - | (449,400,757) |
| Transfers | - | 153,368,023 | 36,115,860 | - | (189,483,883) | - |
| Exchange rate effect | 32,928,213 | 199,984,140 | 269,115,905 | 8,142,128 | 27,420,346 | 537,590,732 |
| At December 31 | **227,324,096** | **1,366,183,044** | **1,430,650,201** | **47,664,191** | **29,710,594** | **3,101,532,126** |
| **Accumulated depreciation:** | | | | | | |
| Balance at beginning of the year | 154,121,100 | 395,538,467 | 1,084,271,345 | - | - | 1,633,930,912 |
| Charge for the year | 29,996,318 | 54,878,250 | 144,412,136 | - | - | 229,286,704 |
| Disposals | (58,900,089) | - | (390,004,717) | - | - | (448,904,806) |
| Exchange rate effect | 21,627,666 | 87,014,756 | 220,437,425 | - | - | 329,079,847 |
| At December 31 | **146,844,995** | **537,431,473** | **1,059,116,189** | **-** | **-** | **1,743,392,657** |
| **Net book amount** | **80,479,101** | **828,751,571** | **371,534,012** | **47,664,191** | **29,710,594** | **1,358,139,469** |

Capital work-in-progress comprise mainly of expenses incurred and other direct cost attributable to Bank’s fixed assets which are yet to be capitalised.

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

## 19. Property and equipment (continued)

| | Motor vehicle | Premises | Furniture and equipment | Land | Capital work-in progress | Total |
|---|---|---|---|---|---|---|
| December 31, 2022 | | | | | | |
| Cost: | | | | | | |
| Balance at beginning of the year | 185,885,207 | 934,417,423 | 1,110,844,711 | 37,573,802 | 173,106,106 | 2,441,827,249 |
| Additions | 30,805,585 | 6,659,506 | 177,698,091 | - | 47,063,057 | 262,226,239 |
| Exchange rate effect | 7,135,419 | 54,160,472 | 82,997,531 | 1,948,261 | (57,927,906) | 88,313,777 |
| At December 31 | 223,826,211 | 995,237,401 | 1,371,540,333 | 39,522,063 | 162,241,257 | 2,792,367,265 |
| | | | | | | |
| Accumulated depreciation: | | | | | | |
| Balance at beginning of the year | 127,008,106 | 330,169,590 | 923,499,904 | - | - | 1,380,677,600 |
| Charge for the year | 21,926,601 | 45,635,477 | 107,993,596 | - | - | 175,555,674 |
| Exchange rate effect | 5,186,393 | 19,733,400 | 52,777,845 | - | - | 77,697,638 |
| At December 31 | 154,121,100 | 395,538,467 | 1,084,271,345 | - | - | 1,633,930,912 |
| | | | | | | |
| Net book amount | 69,705,111 | 599,698,934 | 287,268,988 | 39,522,063 | 162,241,257 | 1,158,436,353 |

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

## 19. Property and equipment (continued)

**Profit on disposal of property and equipment**

| | **2023** | 2022 |
|---|---|---|
| Cost | **449,400,757** | - |
| Accumulated depreciation | **(448,904,806)** | - |
| Net book value | **495,951** | - |
| Proceeds | **(700,510)** | - |
| **Profit on disposal** | **204,559** | - |

## 20. Intangible assets

| | | |
|---|---|---|
| **Cost** | | |
| At January 1 | **249,778,778** | 198,183,131 |
| Additions | **19,434,429** | 39,938,613 |
| Exchange rate effect | **52,361,739** | 11,657,034 |
| **At December 31** | **321,574,946** | 249,778,778 |
| **Accumulated amortization** | | |
| At January 1 | **173,812,241** | 148,355,589 |
| Amortization for the year | **28,808,963** | 16,077,475 |
| Exchange rate effect | **38,659,655** | 9,379,177 |
| **At December 31** | **241,280,859** | 173,812,241 |
| **Net book amount** | **80,294,087** | 75,966,537 |

## 21. Other assets

| | | |
|---|---|---|
| Accounts receivable | **2,757,824,682** | 1,150,204,169 |
| Prepayments | **24,561,369** | 24,755,074 |
| Prepaid employee benefit | **7,942,153** | 9,879,152 |
| Cash collateral with foreign banks | **131,775,479** | 204,709,770 |
| | **2,922,103,683** | 1,389,548,165 |
| Current | **2,914,161,531** | 1,379,669,013 |
| Non-current | **7,942,152** | 9,879,152 |
| | **2,922,103,683** | 1,389,548,165 |

Included in accounts receivable is an amount of LRD 1,995,346,314 (2022: LRD 995,280,165) due from telecommunication providers in respect of mobile money services rendered to their subscribers. Prepayments relate to prepaid insurance and amounts prepaid in respect of short-term leases.

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

## 22. Leases

| **(i) Amounts recognized in the statement of financial position** | **2023** | 2022 |
|---|---|---|
| The statement of financial position shows the following amounts relation to leases; | | |
| ***Right-of-use assets*** | | |
| Buildings | **367,375,335** | 397,751,706 |
| ***Lease liabilities*** | | |
| Current | **17,923,110** | 22,867,813 |
| Non-current | **301,053,906** | 253,737,692 |
| | **318,977,016** | 276,605,505 |

***(ii)*** **Amounts recognized in the statement of comprehensive income**

| | | |
|---|---|---|
| The statement of comprehensive income shows the following amounts relation to leases; | | |
| Depreciation charge of right-of-use assets – Buildings (Note 13) | **30,376,371** | 32,277,440 |
| Interest expense on lease liabilities (Note 6) | **16,553,682** | 15,169,876 |
| Expenses relating to short term leases (included in other operating expenses in Note 14) | **8,663,281** | 7,644,106 |

**Movement in lease liabilities**

| | | |
|---|---|---|
| At January 1 | **276,605,505** | 264,109,565 |
| Interest expense | **16,553,682** | 15,169,876 |
| Exchange loss | **59,161,629** | 16,725,082 |
| Lease payments | **(33,343,800)** | (19,399,018) |
| **At December 31** | **318,977,016** | 276,605,505 |

**Movement in right-of-use assets**

| | | |
|---|---|---|
| At January 1 | **397,751,706** | 430,029,146 |
| Depreciation charge for the year | **(30,376,371)** | (32,277,440) |
| **At December 31** | **367,375,335** | 397,751,706 |

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

## 23. Deposits from customers

| | **2023** | 2022 |
|---|---|---|
| Current deposits | **38,756,809,628** | 26,577,706,595 |
| Savings deposits | **6,335,688,049** | 4,087,056,976 |
| Term deposits | **657,381,519** | 1,366,572,660 |
| Call deposits | **43,398,197** | 36,765,404 |
| | **45,793,277,393** | 32,068,101,635 |
| Current | **45,793,277,393** | 32,068,101,635 |
| Non-current | **-** | - |
| | **45,793,277,393** | 32,068,101,635 |

The twenty largest depositors constitute **62%** of the total deposits as at the end of December 31, 2023 (2022: 62%).

## 24. Deferred income tax liabilities

Deferred income tax is calculated using the enacted income tax rate of 25% (2022: 25%). The movement on the deferred income tax account is as follows:

**Movement in deferred income tax liabilities**

| | **2023** | 2022 |
|---|---|---|
| At January 1 | **121,137,377** | 89,768,598 |
| Charge for the year | **174,412,694** | 31,368,779 |
| **At December, 31** | **295,550,071** | 121,137,377 |

| **At December 31, 2023** | **Asset** | **Liability** | **Net** |
|---|---|---|---|
| Property and equipment | - | 92,310,451 | **92,310,451** |
| Right-of-use assets | - | 91,843,834 | **91,843,834** |
| Unrealized exchange gain | - | 220,015,105 | **220,015,105** |
| Others* | **(108,619,319)** | - | **(108,619,319)** |
| | **(108,619,319)** | **404,169,390** | **295,550,071** |

| At December 31, 2022 | Asset | Liability | Net |
|---|---|---|---|
| Property and equipment | - | 65,075,226 | 65,075,226 |
| Right-of-use assets | - | 99,437,926 | 99,437,926 |
| Unrealized exchange gain | - | 44,460,709 | 44,460,709 |
| Others* | (87,836,484) | - | (87,836,484) |
| | (87,836,484) | 208,973,861 | 121,137,377 |

*Others include Lease liabilities and defined contribution obligation.

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

## 25. 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 Nigeria Limited, a bank licensed in the Federal Republic of Nigeria.

*Parent company transactions*

The Bank had the following transactions with the parent Bank during the year

| | **2023** | 2022 |
|---|---|---|
| Transactions on behalf of the Bank | **1,910,797** | 1,132,875 |
| Technical service fee | **-** | 39,006,916 |
| | **1,910,797** | 40,139,791 |

*Parent company balances*

At December 31, the Bank had a payable due to the parent Bank as shown below:

| | **2023** | 2022 |
|---|---|---|
| Guaranty Trust Bank Nigeria Limited | **40,353** | 154,491 |

### 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

At the reporting date, loans and advances due from key management personnel is as follows

| | **2023** | 2022 |
|---|---|---|
| Advances to key management personnel | **8,046,380** | 9,400,011 |

### ii. Key management personnel compensation

Key management personnel compensation for the year comprises:

| | | |
|---|---|---|
| Wages and salaries | **65,142,134** | 49,266,214 |
| Post-employment benefits | **23,285,422** | 16,393,448 |
| | **88,427,556** | 65,659,662 |

There were no short-term employee and post-employment benefits outstanding as at December 31, 2023 (2022:Nil).

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

## 26. Other liabilities

| | **2023** | 2022 |
|---|---|---|
| Deposits for foreign trade | **-** | 70,621,435 |
| Certified cheques | **158,342,312** | 132,162,516 |
| Other current liabilities | **1,441,805,270** | 571,548,598 |
| Payables on employee benefits | **4,170,649** | 7,861,741 |
| Liability for defined contribution obligations | **115,500,258** | 86,104,430 |
| Other provisions | **369,151** | 302,609 |
| | **1,720,187,640** | 868,601,329 |

Included in other current liabilities is LRD 268,315,612 in respect of amounts accrued for judgment claims against the Bank.

| | | |
|---|---|---|
| Current | **1,604,687,382** | 782,496,899 |
| Non-current | **115,500,258** | 86,104,430 |
| | **1,720,187,640** | 868,601,329 |

## 27. Capital and reserves

**Share capital**

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

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

The share capital did not change during the years ended December 31, 2022 and December 31, 2023. There is no unpaid liability on any shares and there are no treasury shares.

**Retained earnings**

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

**Statutory reserves**

Liberian banking regulations require the Bank to make an annual appropriation from profit for the year to a statutory reserve as stipulated by Section 15 (1) (a) of the Financial Institution Act of 1999. The Bank transferred fifteen percent (15%) 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.

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

## 28. Regulatory disclosures

*(i) Impairment as per CBL prudential guidelines*

**As at December 31, 2023**

| **Category** | **Gross amount** | **%** | **%** | **Provision** |
|---|---|---|---|---|
| Performing-Current | 14,787,735,402 | 81% | 1% | 137,157,975 |
| OLEM | 959,986,214 | 5% | 5% | 47,999,311 |
| **Non-performing** | **2,584,881,672** | **14%** | | **1,685,002,428** |
| Substandard | 886,069,123 | 5% | 20% | 177,213,825 |
| Doubtful | 382,047,891 | 2% | 50% | 191,023,946 |
| Loss | 1,316,764,658 | 7% | 100% | 1,316,764,658 |
| | **18,332,603,288** | **100%** | | **1,870,159,714** |
| **Non-performing loan ratio** | | | | **14%** |

As at December 31, 2022

| Category | Gross amount | % | % | Provision |
|---|---|---|---|---|
| Performing-Current | 13,927,026,250 | 81% | 1% | 131,293,303 |
| OLEM | 1,775,161,692 | 10% | 5% | 88,758,085 |
| Non-performing | 1,581,653,295 | 9% | | 1,300,307,297 |
| Substandard | 238,396,781 | 1% | 20% | 47,679,356 |
| Doubtful | 181,257,146 | 1% | 50% | 90,628,573 |
| Loss | 1,161,999,368 | 7% | 100% | 1,161,999,368 |
| | 17,283,841,237 | 100% | | 1,520,358,685 |
| Non-performing loan ratio | | | | 9% |

*(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:

| | **2023** | 2022 |
|---|---|---|
| IFRS impairment | **640,978,872** | 420,191,054 |
| Regulatory provision | **1,870,159,714** | 1,520,358,685 |
| **Excess of Regulatory provisions over IFRS impairment** | **(1,229,180,842)** | (1,100,167,631) |

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

## 28. Regulatory disclosures (continued)

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

The impairment provision under IFRS is lower than the provision calculated in accordance with CBL/RSD/005/2014 by LRD1,229,180,842 (2022: LRD1,100,167,631). When adjusted for regulatory provisions, the Bank's profit before tax is LRD 450,909,769 and capital is LRD2,619,340,239 (2022: LRD (739,770,553) and LRD2,096,168,168 respectively).

*(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.

## 29. 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, 2023. The Bank was defending legal suits amounting to LRD 2.6 billion. (2022: LRD1.1 billion).

Additionally, as at 31 December 2023, the Bank was appealing to overturn unfavourable rulings amounting to USD 685,000. The Bank has fully provided for the amounts.

### 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.

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

## 29. Contingencies (continued)

### ii. Contingent liabilities and commitments (continued)

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

| | **2023** | 2022 |
|---|---|---|
| **Contingent liabilities:** | | |
| Bonds and guarantees | **779,239,706** | 1,000,534,194 |
| Letters of credit | **20,076,079** | 777,484,224 |
| **Total** | **799,315,785** | 1,778,018,418 |

### iii. Commitments for capital expenditure

The Bank had no commitments for capital expenditure as at December 31, 2023 (2022: Nil).

## 30. 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, 2023 and on the results for the year then ended which have not been adequately provided for and/or disclosed.