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

Contents

CORPORATE INFORMATION

Directors	Mr. Bernd Zattler	Chairman
	Mr. Kyle Lackner	Director *(Resigned on 23/12/2019)*
	Mr. Geegbae A. Geegbae	Director
	Mr. Monojeet Pal	Director *(Resigned on 23/12/2019)*
	Mr. Jonas Nyaye	Managing Director
	Ms. Claire Clasquin	Director
	Dr. Rolf Reichardt	Director *(Appointed on 26/12/2019)*
	Dr. Anthony Okon Nyong	Director *(Appointed on 26/12/2019)*
Registered Office	AccessBank Liberia Limited 20th Street, Sinkor Monrovia	
Auditors	KPMG Chartered Accountants 13 Yiyiwa Drive, Abelenkpe P.O.Box GP 242 Accra	
	Parker & Company LLC Certified Public Accountants 81 Sekou Toure Ave. P.O.Box 1921, Mamba Point Monrovia, Liberia	
Company Secretary	Ms. Gidu Johnson	

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended December 31, 2019.

Statement of directors' responsibilities

The Directors are responsible for the preparation of the financial statements for each financial year which gives a true and correct view of the state of affairs of the Bank and of the profit or loss and cash flows for that period. In preparing these financial statements, the directors have selected suitable accounting policies and then applied them consistently, made judgments and estimates that are reasonable and prudent and prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the New Financial Institutions Act (FIA) of 1999. In addition, the directors are responsible for the preparation of the Report of the Directors.

The directors' responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. The directors are also responsible for safeguarding the assets of the Bank and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Articles of Incorporation of AccessBank Liberia Limited also authorise the Board to appoint members of committees as it may deem necessary; and to delegate to such committees such powers as the Board considers appropriate under the circumstance. Below is a table showing the details of the Board committees.

Name of Board Committee	Committee Members	Summary of Terms of Reference	Frequency of Meetings
Asset and liability committee (ALCO)	**Chairman:** Prof. Geegbae (Chairman) **Members:** Dr. Rolf Reichardt Dr. Bernd Zattler	Meet to discuss asset and liability issues	Quarterly
Board credit committee	**Chairman:** Dr. Rolf Reichardt **Members:** Dr. Bernd Zattler Ms. Claire Clasquin	Review and discuss credit report and credit issues	Quarterly
Board risk management committee	**Chairman:** Dr. Rolf Reichardt **Members:** Ms. Claire Clasquin Dr. Anthony Nyong	Review and discussion of risk reports and risk management issues	Quarterly
Audit committee	**Chairman:** Dr. Anthony Nyong **Members:** Ms. Claire Clasquin Dr. Rolf Reichardt	Review and discussion of audit reports and audit activities	Quarterly

Principal activities

The Bank is licensed to operate as a Bank under the New Financial Institutions Act (FIA) of 1999. There was no change in the nature of the Bank's business during the year.

Parent company

The Bank is a subsidiary of Access Microfinance Holding AG incorporated in Berlin, Germany.

Going concern

The Bank is yet to meet the statutory minimum capital requirements prescribed by the Central Bank of Liberia. The Central Bank of Liberia released an amended prudential regulation concerning minimum capital requirement for Bank-Financial Institutions effective end of 2010, stating that all banks should have a minimum capital requirement of US$10,000,000. As at 31st December 2019, the capital of AccessBank Liberia Limited stood at US$9,669,563. Section 11(1) of the New Financial Institutions Act 1999 states that the Central Bank of Liberia may revoke the license of the bank as it is in breach of the provisions in the Act.

The Directors of the Bank are confident that the Bank will make enough profit in the next financial period to augment the existing equity to enable it to meet the regulatory requirement of a minimum capital of US$10,000,000. The Directors of the Bank have prepared cash flow forecasts with supportable assumption and inputs which show a positive outlook.

The Directors acknowledge that the Bank's ability to continue to operate as a going concern is dependent on the Bank making enough profit to augment its existing equity in the subsequent year. This condition gives rise to a material uncertainty which may cast significant doubt on the Bank's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that cash flows arising from the normal course of business will be available to finance future operations of the Bank and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

Share capital

Details of the Bank's share capital are given in Note 31 to the financial statements.

Directors

The names of the present directors are detailed on the "corporate information" page.

Auditor

The Bank's auditor, KPMG and Parker & Company LLC will continue in office.

Approval of the financial statements

The financial statements of the Bank were approved by the Board of Directors on August 3, 2020. Neither the Bank's owners nor others have the power to amend the financial statements after issue.

By Order of the Board

Name of director: Dr. Bernd Zattler **Signature:**

Name of director: Mr. Jonas Nyaye **Signature:**

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REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF ACCESSBANK LIBERIA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AccessBank Liberia Limited ("the Bank"), which comprise the statement of financial position at 31 December 2019, the statements of comprehensive income, changes in equity, and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 8 to 79.

In our opinion, the accompanying financial statements give a true and correct view of the financial position of the Bank at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Associations Law, Title 5, Liberian Code of Laws 2002 and the New Financial Institution Act (FIA) 1999.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical responsibilities that are relevant to our audit of the financial statements in Liberia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 42 of the financial statements, which indicates that the Bank's is yet to meet the statutory minimum capital requirements as at the end of the year. As stated in Note 42, these events or conditions, along with other matters as set forth in Note 42, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter – Restatement of Comparative Information

We draw attention to Note 43 of the financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2018 has been restated. Our opinion is not modified in respect to this matter.

Other matter

The financial statements of the Bank for the year ended 31 December 2018, were audited by another auditor who expressed an unmodified opinion on these statements on 20 November 2019.

Key Audit matters

Key audit matters are those matters that in our professional judgement, were of most significant in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern, Emphasis of Matter and Other Matter* sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment allowance on loans and advances to customers Refer to note 36 to the financial statements	
Key audit matter	How the matter was addressed in the audit
At 31 December 2019 the Bank reported total gross loans of LRD 3,364 million (LRD 3,219 million at 31 December 2018) and impairment allowance of LRD 644 million (LRD 447 million at 31 December 2018) The Bank is required to recognize expected credit losses (ECL) on financial instruments which involves significant judgment and estimates to be made by the bank. The carrying amount of financial instruments within the scope of IFRS 9 may be materially misstated if judgements or estimates made by the Bank are inappropriate. Key judgements and estimates in respect of the timing and measurement of expected credit losses include: • Economic scenarios – IFRS 9 requires the Bank to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied to determining the economic scenarios used and the probability weightings applied. • Significant Increase in Credit Risk ('SICR') – the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Bank's ECL calculation as these criteria determine whether a 12 month or lifetime provision is recorded. • ECL estimations – Inherently judgmental modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD models used are the key drivers of the Bank's ECL results and are therefore the most significant judgmental aspect of the Bank's ECL modelling approach. • Disclosure quality - the disclosures regarding the Bank's application of IFRS 9 are key to understanding the key judgements and material inputs to the IFRS 9 ECL results. Given the high degree of estimation uncertainty and significance of the balance, we considered impairment allowances on loans and advances to be a key audit matter.	Based on our risk assessment and industry knowledge, we have examined the impairment charges for loans and advances to customers and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter. Our procedures included: - Assessing and testing the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers. - Assessing and testing the design and operating effectiveness of controls over the Bank's loan impairment process regarding management's review process over impairment calculations. - Using model specialists to independently assess and substantively validate the impairment models by re-performing calculations and agreeing sample of data inputs to source documentation. - Assessing whether key data inputs used in the ECL calculation are complete and accurate through testing a sample of relevant data fields and their aggregate amounts against data in the source system. - Sample testing over key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and PD, LGD and EAD assumptions applied. - Assessing the appropriateness of overlays (qualitative adjustments) to model driven ECL by taking into consideration the judgement and estimates the bank has made. - Assessing individual exposures: we selected a sample (based on qualitative thresholds) of clients with impairment indicators had been identified by the bank. We obtained the Bank's assessment of the recoverability of these exposures and challenged whether individual impairment allowance, or lack of, were appropriate. - Considering the adequacy of the Bank's disclosures in relation to impairment about changes in estimates occurring during the period and its sensitivity to key assumptions. In addition, we assessed whether the disclosure of the key judgements and assumptions made was reasonable.

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Other Information

The Directors are responsible for the other information. The other information comprises the Report of the Directors as required by the New Financial Institutions Act (FIA) 1999 and Corporate Information. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Financial Statements

The Bank's Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the New Financial Institutions Act (FIA) 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 intends to liquidate the Bank or to cease operations, or has 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 directors.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 21-1 (a) of the New Financial Institution Act 1999

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

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

The engagement partners on the audit resulting in this independent auditor's report are P. Ernest Parker, Jr on behalf of Parker and Company LLC and Frederick Nyan Dennis (ICAG/P/1426) on behalf of KPMG:

Parker & Company, LLC	KPMG
....	....
PARKER AND COMPANY LLC	KPMG: (ICAG/F/2020/038)
CERTIFIED PUBLIC ACCOUNTANTS	CHARTERED ACCOUNTANTS
P O BOX 1921, MAMBA POINT	13 YIYIWA DRIVE, ABELENKPE:
MONROVIA	P O BOX GP 242
LIBERIA	ACCRA, GHANA
3 August 2020	3 August 2020

STATEMENT OF FINANCIAL POSITION
(All amounts in thousands of Liberian Dollars)

		At December 31	
			Restated
		2019	**2018**
Assets	**Note**		
Cash and cash equivalents	14	1,721,122	1,540,450
Investment securities at amortized cost	15	583,354	100,000
Loans and advances to banks	16	1,098,852	897,781
Financial assets at fair value through profit and loss	17	138,675	152,405
Loans and advances to customers	18	2,720,304	2,772,725
Other financial assets	23	49,519	111,818
Other non-financial assets	24	33,949	123,593
Property and equipment	19	724,617	473,530
Intangible assets	20	147,458	92,996
Current income tax asset	21	103,028	73,240
Deferred income tax asset	22	14,624	107,082
Total assets		7,335,502	6,445,620
Liabilities			
Loans from banks and other financial institutions	25	1,764,422	1,512,325
Customer accounts	26	3,426,289	3,447,468
Provisions	27	4,896	2,794
Other financial liabilities	28	88,943	76,207
Other non-financial liabilities	29	75,863	36,407
Lease liabilities	30	167,751	-
Total liabilities		5,528,164	5,075,201
Equity			
Share capital	31	804,641	804,641
Statutory reserve		93,218	49,934
Translation reserve		1,245,962	982,178
Retained earnings		(336,483)	(466,334)
Total equity		1,807,338	1,370,419
Total liabilities and equity		7,335,502	6,445,620

The accompanying notes on pages 12 to 79 form an integral part of these financial statements.

The financial statements on pages 8 to 79 were approved by the Board of Directors on August 3, 2020 and signed on its behalf by:

Name of Director: Dr. Bernd Zattler **Signature:**

Name of Director: Mr. Jonas Nyaye **Signature:**

STATEMENT OF COMPREHENSIVE INCOME
(All amounts in thousands of Liberian Dollars)

		Year ended December 31	
			Restated
		2019	**2018**
	Note		
Interest income using the effective interest method	3(a)	1,467,437	956,498
Interest income on financial instruments at fair value through profit or loss	3(b)	11,944	-
Interest expense	4	(253,186)	(190,621)
Net interest income		1,226,195	765,877
Impairment charge on financial assets	5	(235,984)	(331,228)
Net interest income after impairment charge on financial assets		990,211	434,649
Fee and commission income	6	208,939	192,974
Fee and commission expense	6	(5,796)	(3,276)
Net result from foreign exchange operations	7	149,157	(182,284)
Gain on financial instruments at fair value through profit or loss	8	71,301	117,443
Net operating income		1,413,812	559,506
Other operating income	9	69,380	3,159
Total operating income		1,483,192	562,665
Personnel expenses	10	(462,562)	(413,258)
Operating lease expenses		-	(21,578)
Depreciation and amortization	19,20	(151,268)	(90,873)
Other administrative expenses	11	(584,350)	(478,086)
Other operating expense	12	(14,003)	(7,568)
Profit/(loss) before income tax		271,009	(448,698)
Income tax (expense)/credit	13	(97,874)	77,117
Profit/(loss) for the year		173,135	(371,581)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Foreign exchange difference on translation		263,784	350,741
Total comprehensive income		436,919	(20,840)

The accompanying notes on pages 12 to 79 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
(All amounts in thousands of Liberian Dollars)

	Note	Issued capital	Statutory reserve	Retained Earnings	Translation reserve	Total equity
Year ended December 31, 2019						
At January 1, 2019		804,641	49,934	(466,334)	982,178	1,370,419
Profit for the year		-	-	173,135	-	173,135
Exchange difference on translation		-	-	-	263,784	263,784
Total comprehensive income		-	-	173,135	263,784	436,919
Transfers to statutory reserve	40	-	43,284	(43,284)	-	-
At December 31, 2019		804,641	93,218	(336,483)	1,245,962	1,807,338
Year ended December 31, 2018 (Restated)						
At January 1, 2018		804,641	49,934	(73,854)	631,437	1,412,158
Increase in impairment provisioning on initial application of IFRS 9 net of tax		-	-	(20,899)	-	(20,899)
Restated Balance at 1 January 2017		804,641	49,934	(94,753)	631,437	1,391,259
Loss for the year		-	-	(371,581)	-	(371,581)
Exchange difference on translation		-	-	-	350,741	350,741
Total comprehensive income (restated)		-	-	(371,581)	350,741	(20,840)
Transfers to statutory reserve	40	-	-	-	-	-
At December 31, 2018		804,641	49,934	(466,334)	982,178	1,370,419

The accompanying notes on pages 12 to 79 form an integral part of these financial statement

STATEMENT OF CASH FLOWS
(All amounts in thousands of Liberian Dollars)

	Note	Year ended December 31 2019	Restated 2018
Profit/(loss) before income tax		271,009	(448,698)
Adjustments for non-cash items:			
Gains on financial assets at fair value through profit or loss	8	(71,301)	(117,443)
Impairment charge on financial assets	5	235,984	346,158
Exchange difference	7	(149,157)	184,029
Depreciation and amortization	19,20	151,268	84,687
Profit from disposal of property and equipment	19	(656)	(522)
Interest income	3(a,b)	(1,479,381)	(956,498)
Interest expense	4	253,186	190,621
		(789,048)	(717,666)
Changes in working capital			
Loans and advances to customers		(206,493)	(789,258)
Loans and advances to banks (>90 days)		(406,701)	(489,645)
Other financial assets		115,390	(309,284)
Other non-financial assets		89,644	14,049
Investment securities		(400,000)	(60,822)
Loans from banks and other financial institutions		355,505	726,302
Customers' accounts		(11,678)	583,887
Other liabilities		52,192	29,614
Provisions		-	1,206
Financial asset at fair value through profit or loss		84,967	-
Cash used in operations		(1,116,222)	(1,011,617)
Interest received		1,346,900	973,719
Income tax paid	21	(35,204)	(26,511)
Interest paid		(360,838)	(168,557)
Net cash outflow from operating activities		(165,364)	(232,966)
Cash flow from investment activities			
Purchase of property and equipment		(58,074)	(96,287)
Purchase of intangible assets	20	(67,024)	-
Proceed from disposal of property and equipment	19	656	522
Net cash outflow from investing activities		(124,442)	(95,765)
Cash flow from financing activities			
Payment of lease liabilities	30	(4,686)	-
Net cash outflow from financing activities		(4,686)	-
Net decrease in cash and cash equivalents		(294,492)	(328,731)
Cash and cash equivalents at January 1		1,948,586	2,119,053
Effects on changes in foreign exchange rate		254,163	158,264
Cash and cash equivalents at December 31	14	1,908,257	1,948,586

The accompanying notes on pages 12 to 79 form an integral part of these financial statements.

NOTES

1. Reporting Entity

AccessBank Liberia Limited (the "Bank"), is a limited liability company incorporated and domiciled in the City of Monrovia, Republic of Liberia. Its registered office is at 20th Street, Sinkor, Tubman Boulevard, P. O. Box 1230, City of Monrovia, Republic of Liberia. Its parent and ultimate holding company is Access Microfinance Holding AG, incorporated in Germany. The principal activities of the Bank, as a commercial microfinance bank, is providing financial services to micro, small and medium sized enterprises in form of loans and deposit-taking services. The financial statements for the year ended December 31, 2019 were authorized for issue by the Bank's board of directors on 3 August, 2020. The financial statements comprise the individual financial statements of the Bank as at and for the year ended 31 December 2019.

2. Accounting policies

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

2.1 Basis of preparation and measurement

The financial statements have been prepared on a historical cost basis, except financial assets and financial liabilities that have been measured at fair value through profit or loss.

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the New Financial Institutions Act (FIA) of 1999.

This is the first set of the Bank's annual financial statement in which IFRS 16 Leases has been applied for its financial period beginning 1 January 2019. Changes to the significant accounting policies are described in Note 2.2.

Functional and presentation currency

Items included in the financial statements are translated using the currency of the primary economic environment in which the Bank operates (functional currency). The Bank's functional currency is the United States Dollars while the presentation currency is the Liberian Dollars in accordance with the Central Bank of Liberia regulation on the publication on financial statement which requires all banks to present their financial statements in Liberian Dollars. The financial statements are presented in Liberian Dollars and all values are rounded to the nearest thousand Dollars, except when otherwise indicated.

2.2. Change in accounting policies and accounting estimates

The Bank has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019, but they do not have a material effect on the Bank's financial statements.

(a) Leases

The Bank applied IFRS 16 using the modified retrospective approach, under which the measurement option for right of use (RoU) assets was based on lease liabilities adjusted for prepayments and accrued payments. Due to the application of this option, the RoU assets at 1 January 2019 were equal to the lease liabilities save for adjustments for prepayments and accrued expenses, hence no impact on retained earnings was recorded. Accordingly, the comparative information presented for 2018 is not restated. It is presented, as previously reported, under IAS 17 and related interpretations. The details of changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not been applied to comparative information.

NOTES (CONTINUED)

(i) Definition of a lease

Previously, the Bank determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Bank now assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(ii) As a lessee

As a lessee, the Bank leases some branch and office premises. The Bank previously classified these leases as operating leases under IAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognises right of use assets and lease liabilities for leases of branch and office premises – i.e. these leases are on balance sheet.

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative standalone prices. However, for leases of branches and office premises the Bank has elected not to separate non lease components and account for the lease and associated non lease components as a single lease component.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at 1 January 2019.

Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The Bank has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of use assets are impaired.

The Bank used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Bank:

- Applied the exemption not to recognise right of use assets and liabilities for leases for which the lease term ends within twelve months of the date of initial application; with less than 12 months of lease term.
- Excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(iii) Impact on financial statements

Impact on transition
On transition to IFRS 16, the Bank recognised additional right of use ("RoU") assets and additional lease liabilities. The RoU assets at 1 Jan 2019 was equal to the lease liabilities save for adjustments for prepayments and accrued expenses, hence no impact on retained earnings was recorded.

NOTES (CONTINUED)

The impact on transition is summarised below.

	1 January 2019 LRD'000
Right of use assets presented in property and equipment	224,392
Lease liabilities	153,668
Prepayments	(70,724)

When measuring lease liabilities for leases that were classified as operating lease, the Bank discounted lease payments using its incremental borrowing rate at the inception of the lease at 1 January 2019 of between 12.1% and 36.4% depending on the term of the lease contract.

	1 January 2019 LRD'000
Operating lease commitment as disclosed in the financial statements at 31 December 2018	155,368
Discounted using the incremental borrowing rate at 1 January 2019	116,656
Recognition exemption for leases with less than 12 months of lease term at date of transition	-
Extension option reasonably certain to be exercised	37,012
Lease liabilities recognised at 1 January 2019	153,668

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Bank does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Amendments to References to Conceptual Framework in IFRS Standards

The IASB decided to revise the Conceptual Framework because certain important issues were not covered and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions of an asset and a liability, and guidance supporting these definitions; and
- Clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

Although we expect this to be rare, some companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs. The Bank does not intend to use the Framework as a reference for selecting its accounting policies in the absence of specific IFRS requirements and therefore does not expect this to impact the Bank significantly.

NOTES (CONTINUED)

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments
"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier. The refinements are not intended to alter the concept of materiality and would, therefore, not have a significant impact on the Bank.

2.3. Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements
Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in Note 36 – establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward looking information into the measurement of ECL and selection and approval of models used to measure ECL.

Assumptions and estimation uncertainties
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

(i) Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

Refer to note 36 for further details on these estimates and judgements.

NOTES (CONTINUED)

(ii) Fair value of financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include model inputs such as extrapolated interest rate curves and forward rates. The valuation of financial instruments is described in more detail in note 32.

(iii) Income taxes

The Bank recognizes deferred income tax assets only to the extent that it is probable that taxable profits will be available against which the tax-reducing effects can be utilized. Judgement is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits. The profit projection is based on the bank's 5 year business plan as of December 2019 which reflects management's best estimate on future taxable profits.

2.4 Summary of significant accounting policies

a) Foreign currency translation

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currency are re-translated at closing rates ruling at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated at exchange rates ruling at the dates of initial recognition; and non-monetary items in a foreign currency that are measured at fair value are translated at exchange rates ruling at the date at which the fair value is determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from re-translation, at year-end exchange rates of foreign currency denominated monetary assets and liabilities, are recognised in profit or loss.

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

The following exchange rates were applied in these financial statements.

1 USD equals	Abbreviation	31.12.2019	31.12.2018
Liberian Dollar	LRD	186.91	156.74

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 exchange rate of the balance sheet date
- Income and expenses are translated at the exchange rate at the date of the transaction.

Foreign currency differences arising from translation are recognized in other comprehensive income and accumulated in translation reserve.

NOTES (CONTINUED)

b) Financial instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Bank commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

(i) Financial assets

Classification and subsequent measurement
The Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:
- Fair value through profit or loss (FVPL); or
- Amortized cost.

The classification requirements for debt instruments are described below:

Debt instruments
Debt instruments are those instruments that meet the definition of a financial asset from the issuer's perspective, such as loans, government bonds and treasury bills.

Classification of debt instruments depend on:
- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into the following measurement category:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represents solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest method.

Business model: The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

NOTES (CONTINUED)

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Impairment
The Bank recognises on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortized cost and with exposure arising from loan commitments and financial guarantee contracts. The Bank recognizes a loss allowance for such losses at each reporting date

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:
– debt investment securities that are determined to have low credit risk at the reporting date; and
– other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

The measurement of ECL reflects:
• An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
• The time value of money; and
• Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

They are measured as follows:

– financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
– financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
– undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
– financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

NOTES (CONTINUED)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

– If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

– If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired (referred to as ‘Stage 3 financial assets’). 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 restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for more than 90 days is considered credit-impaired even when the regulatory definition of default is different.

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

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

All individually significant credit exposures that are considered to be credit impaired are individually assessed for impairment taking into consideration the fair value of the collateral held for the customers.

NOTES (CONTINUED)

Presentation of allowance for ECL in the statement of financial position

Loss 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 loss allowance; and
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Derecognition due to substantial modification of terms and conditions
The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (POCI).

When assessing whether or not to derecognize a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank/Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification
A financial asset (or, where applicable, a part of a financial asset or part of a Bank of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

(ii) Financial liabilities

Classification
The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost.

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

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

NOTES (CONTINUED)

(iii) Determination of fair value

Fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, yield curve, foreign exchange rates, and counterparty spreads) existing at the reporting dates.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(iv) Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The indicators with regards to the expectations include the payment capacity of the debtor, the availability of collateral for confiscation or sale and the status of the debtor’s business activity. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Recoveries of amounts previously written off are included in ‘impairment loss on financial assets’ in the statement of profit or loss and OCI. 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 amounts due.

NOTES (CONTINUED)

(v) Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognized, the Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 6-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- Principal and interest repayments on the loan have been repaid without any overdue over the six-month period. In case of forbearance, where the client is allowed to service only interest for some months before paying principal instalments, the six-month period will begin from the date the first principal payment is due. If the loan is changed into a bullet repayment loan with the entire outstanding principal amount repayable at the end, then the loan cannot be reclassified out of the forborne category.
- At the end of the six-month period, the Bank's Recovery Committee must conduct further assessment of the client's repayment capacity to determine that no quantitative or qualitative impairment remains
- If modifications are substantial, the loan is derecognized, as explained in Note to Forborne and modified loans.

(vi) Collateral and other credit enhancements

The Bank employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Bank has internal policies on the acceptability of specific classes of collateral or credit risk mitigation.

The Bank considers forecasts of future collateral valuations (including expected sale discount), time to realisation of collateral (and other recoveries), allocation of collateral across exposures where there are several exposures to the same borrower, recovery rates, haircuts, type of collateral and external costs of realisation of collateral in line with group methodology.

The Bank prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically.

In the Bank, irrespective of whether foreclosure is probable, the estimate of expected cash shortfalls on a collateralized financial asset reflects:

- The amount and timing of cash flows that are expected from foreclosure (including cash flows that are expected beyond the asset's contractual maturity); less
- Costs for obtaining and selling the collateral (irrespective of whether foreclosure is probable - i.e. the estimate of expected cash flows considers the probability of a foreclosure and the cash flows that would result from it).

NOTES (CONTINUED)

The principal collateral types for loans and advances are:

- Mortgages over residential properties
- Cash
- Charges over business assets such as premises, inventory and equipment; and
- Charges over financial instruments such as term deposits

Longer-term lending facilities to corporate entities are generally secured.
Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured. Derivatives are also collateralised.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the entity since the prior period. A portion of the Bank's financial assets originated by the mortgage business has sufficiently low 'loan to value' (LTV) ratios, which results in no loss allowance being recognized in accordance with the Bank's expected credit loss model.

(vii) Interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit impaired on initial recognition, interest income is calculated by applying the credit adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income calculated using the effective interest method presented in profit or loss is interest on financial assets measured at amortised cost

Interest expense presented in the statement of comprehensive income includes:

- interest on financial liabilities measured at amortised cost
- interest expense on lease liabilities
- Interest income and expense on all trading assets and liabilities

Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.

(viii) Derivative assets and liabilities

Derivatives held for risk management purposes include all derivative assets and liabilities that are classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

NOTES (CONTINUED)

a) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are not offset in the profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

b) Fees and commission

Fees and commissions are recognized on an accrual basis when the service has been provided. Loan disbursement fees for loans are deferred (together with related direct costs) and recognized as part of the effective interest rate of the loan. If the financial instrument is carried at fair value through profit or loss, any associated fees are recognized in profit or loss when the instrument is initially recognized, provided there are no significant unobservable inputs used in determining its fair value. Fees earned from services that are provided over a specified service period are recognized over that service period.

Fees earned for the completion of a specific service are recognized when the service has been completed.

c) ***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 three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short term commitments.

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

d) ***Property and equipment***

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

(ii) Subsequent costs

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

NOTES (CONTINUED)

(iii) Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Useful life is the period over which an asset is expected to be available for use. Land is not depreciated. Asset classified under Capital work in progress are only depreciated after they have been transferred to their respective asset classes. The estimated useful lives of the Bank's asset classes are as follows:

• Buildings	15–40 years
• Leasehold improvements	Shorter of lease term or useful life of 15 years
• Computers	2–5 years
• Furniture	5–10 years
• Motor vehicles	3–5 years

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Net other operating income' in the profit or loss in the year the asset is derecognized.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

e) Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

• Core banking software	15 years
• Computer software	5-3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

f) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash generating unit (CGUs). A cash generating unit is the smallest identifiable asset that generates cash flows that are largely independent from other assets.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

NOTES (CONTINUED)

Impairment losses are recognised in profit or 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.

In respect of other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

g) Current and deferred income tax

The Bank is subject to income taxes in Liberia. Significant judgement is required in determining the provisions 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 and deferred income tax assets and liabilities in the period in which such determination is made. The tax expense for the period comprises current and deferred income tax.

Tax is recognized in the profit or loss, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Liberia. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date 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 including carry-forward tax-losses are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences, tax credits or unused tax losses can be utilized.

h) Other financial assets, other financial liabilities

Other financial assets and other financial liabilities are recognized initially at fair value plus transaction costs and subsequently measured at amortized cost. Other financial assets and other financial liabilities generally comprise sundry receivables and sundry payables.

i) Financial guarantees

In the ordinary course of business, the Bank gives financial performance guarantees. Financial guarantees are initially recognized in the financial statements (within 'Other financial liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

NOTES (CONTINUED)

j) Provisions, contingent liabilities and loan commitments

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured.

Contingent liabilities are not recognised on the statement of financial position but are disclosed unless the outflow of economic resources is remote. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

k) Leases

The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

Bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises, the Bank has elected not to separate non lease components and accounts for the lease and non lease components as a single lease component.

The Bank recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

NOTES (CONTINUED)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Bank presents right of use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short term leases and leases of low value assets

The Bank has elected not to recognise right of use assets and lease liabilities for leases of low value assets and short-term leases. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Bank determined whether the arrangement was or contained a lease based on the assessment of whether:

– fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
– the arrangement had conveyed a right to use the asset.

As a lessee

The Bank did not have any finance leases under IAS 17.

Assets held under other leases were classified as operating leases and were not recognised in the Bank's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

l) **Share capital**

The Bank's share capital is not redeemable by holders in the normal course of business and bears an entitlement to distributions that is non-cumulative and at the discretion of the Directors. Accordingly, they are presented as a component of issued capital within equity. Proceeds from issue of ordinary shares are classified as equity. Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

NOTES (CONTINUED)

m) Employment benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans, if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

n) Government grant

The Bank recognises government grant as other income when the grant becomes receivable. The grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the bank will comply with the conditions associated with the grant; they are then recognised in the profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the bank for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

3. (a) Interest income using the effective interest method

		Restated
	2019	**2018**
Interest income from loans and advances to customers	1,381,957	931,719
Interest income from balances with banks	42,188	15,631
Interest income from investment securities	43,292	9,148
	1,467,437	956,498

(b) Interest income on financial instruments measured at fair value

Interest income on financial instruments at fair value through P&L	11,944	-

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

4. (a) Interest expense on financial instruments not measure at fair value

	2019	Restated 2018
Interest expense on loans from banks and other financial institutions	110,045	67,871
Interest expense on term deposits	28,437	28,117
Interest expense on savings accounts	31,361	28,070
Other interest expense	-	10,841
Interest expense on lease liability	24,972	-
	194,815	134,899

(b) Interest expense on financial instruments measured at fair value

	2019	Restated 2018
Interest expense on financial instruments at fair value through P&L	58,371	55,722
Total interest expense	253,186	190,621

5. Impairment charge on financial assets

	2019	Restated 2018
Impairment for loan losses:		
Impairment allowance – Stage 1 and Stage 2	36,864	98,056
Impairment allowance – Stage 3	262,239	4,544
Gross impairment for loan losses	299,103	102,600
Income from recovery of previously written-off loans	(18,377)	(14,930)
Net impairment for loan losses	280,726	87,670
Impairment (release)/charge on other financial assets	(44,742)	243,558
	235,984	331,228

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

6. Net fee and commission income

	2019	Restated 2018
Fee and commission income from cash transactions	5,714	-
Fee and commission income from account maintenance	96,742	88,026
Fee and commission income from international money transfers	29	7,560
Fee and commission income on cheques	5,874	2,341
Other account service fees	26,816	20,606
Fees from dormant accounts	48,524	50,219
Fees from trade finance and national guarantees	72	1,325
Other fee and commission income from customers	25,168	22,897
Fee and commission income	208,939	192,974
Fee and commission expense on nostro accounts	(5,796)	(3,276)
Fee and commission expense	(5,796)	(3,276)
Net fee and commission income	203,143	189,698

7. Net loss on foreign exchange trading

Gains/(losses) from foreign exchange operations with customers	(8,433)	1,745
Losses from currency revaluations	157,590	(184,029)
	149,157	(182,284)

8. Gain on financial instruments at fair value through profit and loss

Gains on financial instruments at fair value through profit and loss	71,301	117,443

The net gain from financial instruments at fair value through profit and loss is attributable to derivatives which were purchased for currency hedging purposes but did not qualify for hedge accounting. The revaluation gains resulted mainly from cross currency swaps.

9. Other operating income

Profit on disposal of property and equipment (note 19)	656	522
Income from reimbursement of expenses	64	1,985
Other income	53,873	652
Income from Grant	14,787	-
	69,380	3,159

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

10. Personnel expenses

	2019	Restated 2018
Salary expenses	426,517	385,406
Social security expenses	27,678	21,261
Other personnel expenses	8,367	6,591
	462,562	413,258

Wages, salaries, contributions to state funds, bonuses are accrued in the period in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments.

Directors' Remuneration

Salary expenses	18,619	5,139
Social security expenses	1,117	233
	19,736	5,372

11. Other administrative expenses

Consulting fees LFS GmbH	-	35,641
Communication expenses	18,581	24,224
Transport expenses	6,151	5,886
Travel expenses	11,749	10,869
IT expenses	9,050	9,401
Utilities and electricity expenses	43,017	32,609
Royalties and maintenances fees	67,590	56,268
Printing and office supplies	44,665	49,629
Security service expenses	43,906	32,632
Marketing, advertising and entertainment	17,930	7,851
Repair and maintenance	18,385	12,848
Audit fees	8,349	9,525
Legal and advisory expenses	32,291	8,490
Insurance expenses	14,391	11,058
Property tax	4,977	1,909
Training expenses	14,345	3,473
Other service expenses	5,120	3,903
Board expenses	1,153	993
Expenses for central services from Access Microfinance Holding AG	145,867	138,486
Others	76,833	22,391
	584,350	478,086

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

12. Other operating expenses

	2019	Restated 2018
IT audit expenses with group companies	-	2,824
Donation	11,199	4,744
Expenses from litigation	2,804	-
	14,003	7,568

13. Income tax (expense)/ credit

Current tax charge (note 21)	-	-
Current tax – changes in estimates related to prior years (note 21)	(5,416)	-
Deferred tax (charge)/ credit – origination or reversal of temporary differences (note 22)	(92,458)	77,117
	(97,874)	77,117

The following table shows a reconciliation between tax on accounting profit and income tax expense:

Profit/ (Loss) before income tax	271,009	(448,698)
Income tax rate of	25%	25%
	67,752	(112,174)
Tax effects		
Effect of non-tax allowable expenses	27,404	38,638
Effects of adjustments from prior periods	5,416	-
Tax exempt income	(164)	(130)
Tax incentive	(2,534)	(3,451)
Income tax expense /(credit)	97,874	(77,117)

The various tax effects explain the differences between the expected income tax credit /(expense) of LRD 67,752 thousand (2018: LRD 112,174 thousand) on the basis of the enacted income tax rate and the actual income tax credit/(expense) of LRD (97,874) thousand (2018: LRD 77,117 thousand).

14. Cash and cash equivalents

Cash on hand	234,291	351,896
Mandatory reserve deposits with Central Bank of Liberia	874,166	821,317
Unrestricted balances with Central Bank of Liberia	526,878	367,237
Bank accounts with other banks	85,787	-
Cash and bank balances	1,721,122	1,540,450
Loans and advances to banks (< 90 days)	187,135	408,136
Cash and cash equivalents in the statement of cash flows	1,908,257	1,948,586

Mandatory reserve deposits are not available for use in the Bank's day to day operations. Cash on hand, bank accounts with other banks and balances with Central Bank of Liberia are non-interest-bearing.

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

15. Investment securities

	2019	Restated 2018
At amortized cost		
- Short term treasury bills	475,485	-
- Government bond	107,869	100,000
	583,354	100,000
Current	583,354	100,000

16. Loans and advances to banks

	2019	2018
Loans and advances to banks	1,072,863	887,163
Accrued interest	25,989	10,618
	1,098,852	897,781
Current	1,098,852	890,505
Non current	-	7,276

17. Financial assets at fair value through profit or loss

Currency swaps	138,675	152,405

At year-end, the Bank held financial instruments at fair value through profit and loss at the following split:

At December 31, 2019	**Nominal amount**	**Net Amount**	**Fair value Assets**	**Fair value Liabilities**
Currency swaps	934,550	138,675	946,495	(807,820)
At December 31, 2018- Restated				
Currency swaps	735,000	152,405	941,058	(788,653)

The financial asset at fair value through profit or loss have been presented on a net basis because the parties to the contract have the intent to realize the asset and settle the liability simultaneously.

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

18. Loans and advances to customers

	2019	Restated 2018
Loans and advances to customers	3,354,802	3,231,394
Accrued interest on loans and advances to customers	77,826	60,414
Deferred disbursement fees	(67,742)	(72,142)
Gross loans and advances	3,364,886	3,219,666
Allowance for impairment losses	(644,582)	(446,941)
	2,720,304	2,772,725
Current	2,005,528	1,894,979
Non current	714,776	877,746

The total outstanding principal amount is split into the following industries:

	2019	2018
Trade	2,754,817	2,628,350
Services	354,340	339,154
Agriculture	2,200	3,585
Manufacturing	170,689	180,883
Transportation	32,381	26,433
Staff	40,375	29,741
Other	-	23,248
	3,354,802	3,231,394

The carrying amount of loans and advances that are past due but not impaired is LRD 56,850 thousand (2018: LRD 50,021 thousand).

The allowance for impairment losses was comprised as follows:

	2019	2018
Stage 1 (12-month ECL)	(132,649)	(112,261)
Stage 2 (lifetime ECL not credit impaired)	(44,307)	(15,696)
Stage 3 (lifetime ECL credit impaired)	(467,626)	(318,984)
	(644,582)	(446,941)

The allowance for impairment losses were as follows:

	2019	2018
At January 1	446,941	320,068
Opening IFRS 9 adjustment	-	27,865
Charge for the year	299,103	102,600
Currency translation	67,980	74,300
Write-offs	(169,442)	(77,892)
At December 31	644,582	446,941

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

19. Property and equipment

Year ended December 31, 2019	**Land and buildings**	**Furniture, fixtures, equipment**	**Motor vehicles**	**Computer equipment**	**Right of use of asset**	**Total**
Cost						
At January 1	577,740	320,079	55,946	131,447	-	1,085,212
Initial application of IFRS 16					224,392	224,392
At January 1 (Restated)	577,740	320,079	55,946	131,447	224,392	1,309,604
Additions	7,396	22,001	21,873	6,804	6,557	64,631
Disposals	-	(3,885)	(4,882)	-	-	(8,767)
Translation difference	110,466	62,153	12,792	25,412	-	210,823
December 31	695,602	400,348	85,729	163,663	230,949	1,576,291
Accumulated depreciation						
At January 1	249,285	211,039	41,369	109,989	-	611,682
Charge for the year	47,792	38,939	18,128	9,492	16,067	130,418
Released on disposals	-	(3,885)	(4,882)	-	-	(8,767)
Translation difference	48,239	40,764	8,180	21,158	-	118,341
December 31	345,316	286,857	62,795	140,639	16,067	851,674
Net book value December 31	350,286	113,491	22,934	23,024	214,882	724,617

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

(19) Property and equipment (continued)

Year ended December 31, 2018	Land and buildings	Furniture, fixtures, equipment	Motor vehicles	Computer equipment	Total
At January 1	438,402	207,032	41,505	100,648	787,587
Additions	27,986	57,463	5,917	4,921	96,287
Disposals	-	(1,102)	(3,194)	-	(4,296)
Translation difference	111,352	56,686	11,718	25,878	205,634
December 31	577,740	320,079	55,946	131,447	1,085,212
Accumulated depreciation					
At January 1	168,249	145,596	25,160	80,683	419,688
Charge for the year	35,519	27,825	12,388	8,228	83,960
Released on disposals	-	(1,102)	(3,194)	-	(4,296)
Translation difference	45,517	38,720	7,015	21,078	112,330
December 31	249,285	211,039	41,369	109,989	611,682
Net book value December 31	328,455	109,040	14,577	21,458	473,530

Profit on disposal of property and equipment

	2019	Restated 2018
Cost	8,767	4,296
Accumulated depreciation	(8,767)	(4,296)
Net book value	-	-
Proceeds from disposal	656	522
Profit on disposal	656	522

There was no indication of impairment of property and equipment held by the Bank at 31 December 2019 (2018: Nil). None of the property, plant and equipment of the Bank had been pledged as security for liabilities and there were no restrictions on the title of any of the Bank's property and equipment at the reporting date and at the end of the previous year. There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2018: Nil).

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

20. Intangible assets

	2019	Restated 2018
Cost		
At January 1	504,284	391,600
Additions	67,024	-
Currency translation differences	89,516	112,684
At December 31	660,824	504,284
Accumulated amortisation		
At January 1	411,288	313,893
Charge for the year	20,850	6,912
Currency translation differences	81,228	90,483
At December 31	513,366	411,288
Net book value	147,458	92,996

There was no indication of impairment of intangible assets held by the Bank at 31 December 2019 (2018: Nil).

21. Current income tax

	At January 1	Charge/ adjustment for the year	Payments during the year	At December 31
2019				
Year of assessment				
Up to 2018	73,240	-	7,173	80,413
2019	-	(5,416)	28,031	22,615
	73,240	(5,416)	35,204	103,028
2018-restated				
Year of assessment				
Up to 2017	46,729	-	5,662	52,391
2018	-	-	20,849	20,849
	46,729	-	26,511	73,240

22. Deferred tax assets

	2019	Restated 2018
The deferred tax assets are attributed to the following:		
Tax loss carried forward	45,418	122,208
Property and equipment	(60,144)	(47,216)
Intangible assets	29,350	32,090
	14,624	107,082

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

The deferred tax assets were recognized on the basis that the bank will make sufficient taxable profits for the deductible temporary differences to be utilized. The profit projection was based on the Bank's 5-year business plan.

	2019	Restated 2018
Movement in deferred income tax assets:		
At January 1	107,082	22,999
(Expense) /credit to profit or loss	(92,458)	77,117
IFRS 9 transition tax effect	-	6,966
At December 31	14,624	107,082

	At January 1	Recognised in profit and loss	Recognised in equity	At December 31
31 December 2019				
Property and equipment	(47,216)	(12,928)	-	(60.144)
Tax losses carried forward	122,208	(76,790)	-	45,418
Intangible assets	32,090	(2,740)	-	29,350
	107,082	(92,458)	-	14,624
31 December 2018 (Restated)				
Property and equipment	-	(47,216)	-	(47,216)
Tax losses carried forward	22,999	92,243	6,966	122,208
Intangible assets	-	32,090	-	32,090
	22,999	77,117	6,966	107,082

Included in the tax losses carried forward is the IFRS 9 transition tax effect of LRD 6,966,000 which was recognised in equity.

The bank made the tax losses in 2018 and can be utilized until 2023.

23. Other financial assets

	2019	Restated 2018
Sundry receivables	25,245	55,132
Clearing and miscellaneous accounts	17,701	187,240
Receivables against employees	271	1,644
Receivables against Group companies	-	58,059
Receivables from money transfer services	6,302	74,099
Other remittances	-	21,602
Gross other financial assets	49,519	397,776
Impairment allowance	-	(285,958)
Net other financial assets	49,519	111,818
Current	26,008	111,818
Non-current	23,511	-

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

24. Other non-financial assets

	2019	Restated 2018
Prepayments	23,390	104,683
Office supplies	10,559	18,910
	33,949	123,593
Current	33,949	123,593

25. Loans from banks and other financial institutions

	2019	Restated 2018
Loans from banks and other financial institutions	1,715,082	1,359,577
Interest payable	49,340	152,748
	1,764,422	1,512,325
Current	993,070	882,748
Non current	771,352	629,577

26. Customer accounts

Term deposit accounts	491,711	725,479
Savings accounts	2,114,509	1,813,745
Current accounts	799,737	878,411
Accrued interest on customer accounts	20,332	29,833
	3,426,289	3,447,468
Current	3,325,935	3,270,261
Non current	100,354	177,207

27. Provisions

(a) Provision for staff leave

At January 1	2,794	1,588
Amounts used	(2,898)	(1,562)
Addition	2,092	2,458
Currency translation	104	310
At December 31	2,092	2,794

The provision reflects personnel expenses for untaken leave of its employees and is expected to be utilized within three months after the reporting date. As remaining holiday balances will have to be taken until end of March or they forfeit. There is no uncertainty with regards to the timing of the outflow.

NOTES (CONTINUED)

(All amounts are in thousands of Liberian Dollars)

Provisions (continued)

(b) Provision for legal claims

	2019	Restated 2018
At January 1	-	-
Amounts used	-	-
Addition	2,804	-
Currency translation	-	-
At December 31	2,804	-
Total provision	4,896	2,794
Current	4,896	2,794

The Bank is defending legal actions brought by various persons for claims. Provision of LRD 2,804 thousand (2018: Nil) in relation to these claims has been recognized in the financial statements. The Bank expects to settle these claims in 2020. The possible settlement is subject to the assessment of the Bank's external lawyer, which is based on similar lawsuits in the past and the current practice of the courts of Liberia and as such is subject to uncertainty.

28. Other financial liabilities

	2019	Restated 2018
Liabilities for goods and services	37,765	11,201
Payables against group companies	21,727	13,106
Wages and salaries due, but not yet paid	16,397	27,396
Social security contributions payable	13,054	6,903
Accrued expenses	-	17,601
	88,943	76,207
Current	88,943	76,207

All liabilities are due within 12 months and equal their carrying amount as the impact of discounting is not significant.

29. Other non-financial liabilities

	2019	Restated 2018
Withholding tax payable	17,477	36,407
Deferred income	26,995	-
Grant liability	31,391	-
	75,863	36,407
Current	22,866	36,407
Non current	52,997	-

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

The Bank received a grant from the MasterCard Foundation for various purposes ranging from supporting the Bank's software architecture, digital innovations and development of staff and senior management. The portion of the grant that relates to assets is recognised as deferred income when there is reasonable assurance that the grant will be received, and the Bank has complied with the conditions. They are subsequently recognized in profit or loss as other income on a systematic basis over the useful life of the asset. The portion of the grant that compensates the Bank for expenses incurred is recognised as other income in the period in which the expense is incurred.

The bank also received Technical Assistance Grant from the Government of the Grand Duchy of Luxembourg. The grant is repayable if not utilized by December 2021.

30. Leases

a. Leases as a lessee

The Bank leases a number of branch premises. The leases typically run for a period between 10 to 40 years, with an option to renew the lease after the date. For some leases, payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices

Previously, these leases were classified as operating leases under IAS 17.

Information about leases for which the Bank is a lessee is presented below.

i. Right of use of assets

Right -of -use of assets relates to lease branches that are presented within the property and equipment.

	Branches
Balance at 1 January	224,392
Additions	6,557
Depreciation charge for the year	(16,067)
Balance as at 31 December 2019	214,882

At 31 December 2018, the future minimum lease payments under non-cancellable operating leases were payable as follows.

Maturity analysis – Contractual undiscounted cashflows	**2018**
no later than one year	18,387
later than one year and no later than five years	74,933
later than five years	62,048
	155,368

ii. Amount recognised in profit or loss

2019 – Lease under IFRS 16	
Depreciation of right-of-use (ROU) assets	16,067
Interest on lease liabilities	24,972
2018 – Operating leases under IAS 17	
Lease expense	21,578

iii. Amounts recognized in cashflow

Total cash outflow for leases	17,446

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

iv. Extension options

Some leases of branch premises contain extension options exercisable by the bank up to one year before the end of the non-cancellable contract period. Where practicable, the bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the bank and not by the lessors. The bank assesses at lease commencement due date whether it is reasonably certain to exercise the extension options. The bank reassesses whether it is reasonably certain to exercise the options if there is significant event or significant changes in circumstances within its control.

The bank has assessed that all contractual extension options will be exercised and have therefore included all potential future lease payments in the calculation of the lease liability.

v. Lease liabilities

Balance at 1 January	153,668
Additions	6,557
Interest expense	24,972
Lease payments	(17,446)
Balance as at 31 December 2019	167,751

See Note 36 for maturity analysis for lease liabilities as at 31 December 2019

31. Share capital

As at December 31, 2019, the authorized and subscribed capital is LRD 804,641 thousand which has been fully paid in by the shareholders of the Bank and is constituted by 11,992 shares with a nominal value of LRD 67.10. The shareholder structure is as follows:

	2019			**2018**		
	Number of shares	**Amount**	**%**	Number of shares	Amount	%
Access Microfinance Holding AG	6,552	439,007	55%	6,552	439,007	55%
International Finance Corporation	2,231	150,201	19%	2,231	150,201	19%
European Investment Bank	1,500	99,225	12%	1,500	99,225	12%
African Development Bank	1,709	116,208	14%	1,709	116,208	14%
	11,992	804,641	100%	11,992	804,641	100%

The shares are not grouped into classes, and there are no different rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital. The shareholders are entitled to receive dividends as declared and are entitled to one vote per share at shareholder meetings of the Bank.

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

32. Financial instruments:

a. Classification of Financial instruments

The table below provides reconciliation between the items in the statement of financial position and the classification of financial instrument.

	2019		2018 (Restated)	
	Amortised Cost	**Fair value through profit or loss**	**Amortised cost**	**Fair value through profit or loss**
Financial assets				
Cash and cash equivalent	1,721,122	-	1,540,450	-
Loans and advances to banks	1,098,852	-	897,781	-
Loans and advances to customers	3,364,886	-	3,219,666	-
Investment securities	583,354	-	100,000	-
Financial asset at fair value through profit or loss	-	138,675	-	152,405
Other financial assets	49,519	-	111,818	-
	6,817,733	138,675	5,869,715	152,405
Financial liabilities				
Loan and advances from banks	1,764,422	-	1,512,325	-
Deposit from customers	3,426,289	-	3,447,486	-
Other financial liabilities	88,943	-	76,207	-
Lease liability	167,751	-	-	-
	5,447,405	-	5,036,018	-

b. Fair value categorisation of financial instruments

i. Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. Valuation techniques used include discounted cash flow analysis and pricing models and where appropriate, comparison with instruments that have characteristics similar to those of instruments held by the Bank.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained below.

The Valuation Control function is responsible for independent price verification, oversight of fair value and appropriate value adjustments and escalation of valuation issues. Independent price verification is the process of determining that the valuations incorporated into the financial statements are validated independent of the business area responsible for the product.

The Valuation Control function has oversight of the fair value adjustments to ensure that the financial instruments are priced to exit. These are key controls in ensuring the material accuracy of the valuations incorporated in the financial statements. The market data used for price verification may include data sourced from recent trade data involving external counterparties or third parties such as Bloomberg, Reuters, brokers and consensus pricing providers.

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

Valuation Control performs a semi-annual review of the suitability of the market data used for price testing. Price verification uses independently sourced data that is deemed most representative of the market the instruments trade in. To determine the quality of the market data inputs, factors such as independence, relevance, reliability, availability of multiple data sources and methodology employed by the pricing provider are taken into consideration.

ii. Valuation governance

The Bank's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. All new product initiatives (including their valuation methodologies) are subject to approvals by various functions of the Bank including the risk and finance functions. The responsibility of ongoing measurement resides with the business and product line divisions. Once submitted, fair value estimates are also reviewed and challenged by the Risk and Finance functions. The independent price verification process for financial reporting is ultimately the responsibility of the independent price verification team within Finance which reports to the Chief Financial Officer.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair values for loans and advances to customers have been determined according to level 3 of the fair value hierarchy. The fair values for all other financial instruments have been determined using level 2 of the fair value hierarchy.

To determine the fair value for any financial assets or liabilities the following guidelines are applied within the Bank. There are different key indicators to determine the fair value. One is the remaining maturity, if it is less than six months the fair value equals the balance sheet amount. The fair value remains the balance sheet amount too, if the remaining maturity is more than six month and has still the same effective interest rate for newly disbursed loans at measurement date, as it can be assumed to be a market rate. The interest rate is another indicator and if the interest rate is variable the fair value is equal to the balance sheet amount. A different effective interest rate at measurement date would lead to application of discounted cash flow method in order to determine the fair value.

The fair value calculations have been determined using a discounted cash flow method. The valuation techniques use observable current market transactions and market rates for similar market transactions (e.g., yield rates, interest rates).

The Bank considers that the carrying amounts of all classes of financial assets and financial liabilities carried at amortized cost approximate their fair values, while financial assets at fair value through profit or loss are carried at fair value in the financial statements.

There were no transfers between the different levels in 2018 and 2019.

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

(i) Financial instruments not measured at fair value

The table below sets out the fair values of the instrument not measured at fair value in the statement of financial position analysed by reference to levels in the fair value hierarchy into which each fair value measurement is categorized:

2019	**Level 1**	**Level 2**	**Level 3**
Financial assets not measured at fair value			
Cash and cash equivalent	-	1,721,122	-
Loans and advances to banks	-	1,098,852	-
Loans and advances to customers	-	-	2,627,916
Investment securities	-	583,354	-
Other financial assets	-	49,519	-
	-	3,452,847	2,627,916
Financial liabilities not measured at fair value			
Loan and advances from banks	-	1,716,680	-
Deposit from customers	-	3,244,512	-
Other financial liabilities	-	88,943	-
Lease liability	-	167,751	-
	-	5,217,886	-

2018	**Level 1**	**Level 2**	**Level 3**
Financial assets not measured at fair value			
Cash and cash equivalent	-	1,540,450	-
Loans and advances to banks	-	897,781	-
Loans and advances to customers	-	-	2,772,725
Investment securities	-	100,000	-
Other financial assets	-	111,818	-
	-	2,650,049	2,772,725
Financial liabilities measured at fair value.			
Loan and advances from banks	-	1,512,325	-
Deposit from customers	-	3,447,486	-
Other financial liabilities	-	76,207	-
	-	5,036,018	-

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

(i) Loans and advances to banks and customers

Loans and advances to banks include inter-bank placements and items in the course of collection. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. The bank's loans and advances are short term hence the fair value is considered to approximate the carrying amount.

Loans and advances to customers are net of charges for impairment. The estimated fair value of loans and advances to customers represents the discounted amount of estimated future cash flows expected to be received.

(ii) Investment securities

The value of investment securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is rated using quoted market prices for securities with similar credit, maturity and yield characteristics. The bank's investments are short term hence the fair value is considered to approximate the carrying amount.

(iii) Borrowings, deposits from banks and deposits from customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

(iv) Other financial assets

The estimated fair value of other financial assets represents the discounted amount of estimated future cash flows expected to be received.

(v) Other financial liabilities

The estimated fair value of other liabilities is based on discounted cash flows using prevailing money-market interest rates

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

(ii) Financial instruments measured at fair value

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Fair value through profit or loss				
Derivative assets	-	138,675	-	138,675
31 December 2018				
Financial assets				
Fair value through profit or loss				
Derivative assets	-	152,405	-	152,405

Derivative - Foreign exchange contracts

Foreign exchange contracts include open spot contracts, foreign exchange forward and swap contracts and over the- counter foreign exchange options. These instruments are valued by either observable foreign exchange rates, observable or calculated forward points and option valuation models. The Bank classifies foreign exchange contracts as Level 2 financial instruments when no unobservable inputs are used for their valuation or the unobservable inputs used are not significant to the measurement (as a whole).

33. Financial instruments: Offsetting

As at year-end there were no transactions with netting arrangements outstanding, which had not been offset in the statement of financial position.

34. Contingent liabilities and commitments

(i) Other contingent liabilities and commitments
The Bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. Other contingent liabilities and commitments comprise acceptances, guarantees and letters of credit.

The following summarize the nominal principal amount of contingent liabilities and commitments with off balance sheet risk:

	2019	**2018**
Undrawn overdrafts	13,217	24,295
Guarantees	1,205	13,793
	14,422	38,088

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars)

(ii) Claims and litigations

The bank is defending a number of pending legal actions brought against it at 31 December 2019. Some of these cases have been brought against the Bank by former employees, customers and others. Although liability is not admitted, if defense against the legal action is unsuccessful, then potential liabilities estimated at LRD 18,616 thousand (2018: LRD 51,410 thousand) would be payable. Based on legal advice, management believes that its defense of the legal action will be successful.

35. Capital Management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the Central Bank of Liberia; and
- To maintain a strong capital base to support the development of its business

Capital adequacy is monitored on a minimum monthly basis. The Bank aims at a capital adequacy ratio of 10% relating to the ratio of risk-weighted assets to tier 1 capital. Tier 1 capital comprises of share capital, statutory reserve, retained earnings and reserves created by appropriations of retained earnings.

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 Bank. The Bank's Capital adequacy ratio as at December 31, 2019 was 53% as compared to 35% reported as at December 31, 2018.

		2019		**2018 -Restated**	
Assets	**Weights**	**Amount**	**Value**	Amount	Value
Cash on hand	0%	234,290	-	351,896	-
Central bank accounts	0%	1,401,044	-	1,188,554	-
Short term treasury bills	0%	475,485	-	-	-
Government bond	0%	107,869	-	100,000	-
Loans and advances to banks	20%	1,072,863	214,573	897,780	179,556
Loans and advances to customers (Retail exposures)	75%	2,728,077	2,046,058	-	-
Loans and advances to customers (Past due exposures)	100%	59,968	59,968	2,772,725	2,772,725
Property and equipment	100%	724,617	724,617	473,530	473,530
Other financial assets	100%	49,519	49,519	111,818	111,818
Other non-financial assets	100%	33,949	33,949	123,593	123,593
Total risk weighted assets gross		6,887,681	3,128,684	6,019,896	3,661,222
1st Tier Capital					
Share capital			804,641		804,641
Statutory reserves			93,218		49,934
Translation reserves			1,245,962		982,178
Retained earnings			(336,483)		(466,334)
Intangibles assets			(147,458)		(92,996)
Total qualifying capital			1,659,880		1,277,423
Capital adequacy ratio			53%		35%

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

36. Risk Management

The risk arising from financial instruments to which the Bank is exposed are credit risk, liquidity risk and market risk.

a) Credit risk

Credit risk is the risk that the party to a credit transaction will be unable to meet its contractually agreed obligations towards the Bank. For the Bank, credit risk arises mainly from customer credit exposures and to a lesser extent from interbank or other short-term placements.

As more than 82.57% of our lending is to micro, small and medium-sized businesses this section concentrates on business lending.

The economy where the Bank operates in is characterised by a relatively high degree of informal transactions. Moreover, our typical borrowers (especially in the micro loan segment) often do not possess significant assets that could be pledged as collateral. In its experience, the Bank has developed an approach to lending that allows us to preserve a good portfolio quality over many years.

The core principle of this approach is that credit decisions are primarily based on a thorough analysis of the borrowers' credit worthiness, i.e., the capacity and willingness of the credit applicant to pay. The debt capacity is reflected in a cash flow projection, forming the basis for the decision on the loan conditions and the payment plan, which in almost all cases is an instalment loan with monthly payments of interest and principal. By conducting an in-depth analysis of the borrower's financial status, we avoid overburdening our customers and thus control the danger of over indebtedness. In addition to the financial analysis other indicators for his/her willingness to pay are assessed, including credit history, credit reference checks, statements of guarantors, suppliers, neighbours or employers. In order to mitigate this risk, our loan officers' collect and cross-check relevant primary data, in particular through visits in the applicant's enterprise(s) and household. The economic situation of the applicants' household and other related parties is included in the credit analysis.

As loans are primarily backed by information instead of collateral, credit risk (as well as operational cost) crucially depends on the efficiency of gathering and processing information. To prevent any loss of information, a high degree of responsibility is assigned to the loan officer as opposed to the delegating of work commonly seen in the traditional bank business. In microfinance, this includes all aspects from screening to contract enforcement. Loan officers receive a performance-based salary that includes rewards for productivity and portfolio quality.

All loans have to be approved by a committee comprised of at least two responsible managers (four-eye principle). Various competency levels are established depending on the loan size and the individual experience of the manager.

The Bank and the loan officer build up a long-term client relationship with the borrower, which is based on mutual respect and trust, and implies the promise of access to follow-up loans and other financial services, if the client repays the loan without delay. The long-run client relationship creates incentives for repayment and full disclosure of relevant information.

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

At the same time, the Bank continuously increases its knowledge on the borrower, which reduces the Bank's operational costs over time. In consequence loan conditions and access to loans is differentiated according to the clients' records which reflect their individual risk profile (graduation principle).

The use of the loan and its repayment are closely monitored by regular visits to the client and immediate action if the client falls into arrears. This is supported by a strong management information system (MIS) and a culture of strict adherence to procedures and rules. While the principles outlined above are relevant to all of our business lending, we apply them in a differentiated way for the segments of micro and SME business lending. While in micro lending we put a strong focus on standardisation and efficiency, in the Small and Medium Enterprise (SME) segment loan analysis goes deeper and contains more elements of prospective analysis. Furthermore, traditional collateral plays a much larger role in our SME lending. Loan officers, middle managers and head offices have access to online information about any loans in arrears and are prepared to take immediate action. If a loan officer or individual branch is not able to cope with specific cases, or a general deterioration of the loan portfolio, they are supported by specialised recovery units, credit management and the Bank 's legal department.

Based on our experience, we measure the level of credit risk mainly in the Portfolio at Risk (meaning the total outstanding exposure to parties that are in arrears with any part of their obligations) 1 and 30 days. Overall PAR 30 for the Bank was 20.48% as of 31 December 2019 (14.70% in 2018). When a borrower is not or will not be able to repay an exposure in accordance with the original payment schedule but is willing and in principle able to return the loan, the Bank may renegotiate the repayment terms. In most cases this is done in the event of force majeure (e.g. fire, natural disaster, etc.). The overall volume of outstanding renegotiated exposures amounted to LRD 388,031 thousand (11.3%) at the end of 2019 (LRD 330,272 thousand / 10.2% in 2018).

Expected credit loss measurement
IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their Expected Credit Loss (ECL) measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

The key judgements and assumptions adopted by the Bank in addressing the requirements of the standard are disclosed below.

Significant increase in credit risk (SICR)

The Bank uses quantitative, qualitative or backstop criteria as the basis to consider whether financial instruments have experienced a significant increase in credit risk.

Quantitative criteria:

The Bank uses the probability of default (PDs) of financial instruments as the quantitative measure in assessing for impairment. A financial instrument or group of financial instruments will be determined to have experienced a SICR if the remaining lifetime PDs at the reporting date has increased, compared to the residual lifetime PDs expected at the reporting date when the exposure was first recognized and it exceeds the relevant set threshold. The PDs are determined using multiple forward economic scenarios.

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

Qualitative criteria
The Bank performs an assessment of the financial asset groupings in order to identify financial assets with similar characteristics based on entity and portfolio level factors. Qualitative criteria (current and forward-looking) are then determined for the unique portfolio and sub-portfolio groupings to be applied in determining whether there has been a significant increase in credit risk for a financial asset or group of financial assets. The criteria will include factors such as:

For Loan portfolios, if the borrower meets one or more of the following criteria:
- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last twelve [12] months
- If the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:
- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans. The assessment of SICR incorporates forward-looking information and is performed on a quarterly basis at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.
Low Credit Risk Exemption
The Bank has not used the low credit risk exemption for any financial instruments in the period ended 31 December 2019.

Definition of default and credit-impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria
The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months.

The 12mECL is the portion of lifetime-ECLs (LTECLs) that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Stage 1: A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1'. Financial instruments in this Stage have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Stage 1 includes all financial instruments, which did not exhibit a "significant increase in credit risk" and for which no signs of impairment have been observed. The reference date is the date of initial recognition. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: Consists of financial instruments that appear to have a significant increase in credit risk, but is not yet deemed to be credit-impaired. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Includes financial instruments with objective evidence of impairment and consists of defaulted instruments.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, such as staff turnover and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios to derive the economic inputs into the ECL models

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

The calculation of ECL

The Bank calculates ECLs to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements 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 assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- 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 realization of any collateral. It is usually expressed as a percentage of the EAD.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

The mechanics of the ECL method are summarised below:

- Stage 1: The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- POCI: these financial assets are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit-adjusted EIR.

Forward looking information

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Foreign exchange rates (USD/LRD)
- Inflation
- Iron ore prices

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The most significant period end assumptions used for the ECL estimate as at 31 December 2019 are set out below:

Scenario	**Weight %**	**GDP Growth %**	**USD/LRD Exchange rate**	**Iron Ore Price %**
Best Case	50	0.40%	156.74	53.24%
Worst Case	50	0.00%	210.84	32.27%

Applying different assumptions for the forward-looking indicators would impact the loan loss provision as follows:
• Best case scenario: reduction in loan loss provision of 12%
• Worst case scenario: increase in loan loss provision by 7%

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

The most significant variables affecting the ECL model are as follows:

- Staff turnover – staff turnover is used as it is critical to the quality and experience of credit staff and the quality of the Bank's underwriting.
- GDP Growth – GDP growth is used to assess the relative health of the economy. Forward looking information is incorporated by using the projected GDP growth for the current year.
- USD/LRD – The CBL USD sell rate on the date of the assessment is used in the tool. This is because of the sensitivity of the economy to exchange rate fluctuations.
- Iron Ore Price – Iron ore is one of the Liberia's exports and a main source of foreign exchange. The use of iron ore is mainly as a proxy in the determination of exchange rate stability.

Grouping of instruments for losses measured on a collective basis

Future cash flows in a group of financial assets are collectively evaluated for impairment to be estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal or external supplementary data to use for modelling purposes. The following table shows the current quality of the loan portfolio. The risk coverage ratio puts loan loss provisions in relation to the PAR 30 portfolio.

As of December 31, 2019, the quality of the loan portfolio is as follows:

	PAR>30		**PAR>90**		**Risk Coverage Ratio**
Outstanding Portfolio		**%**		**%**	**%**
3,354,802	687,113	20.48	533,981	15.92	94

As of December 31, 2018, the quality of the loan portfolio is as follows:

Outstanding Portfolio		%		%	%
3,231,394	474,913	14.70	443,467	13.72	56.04

The Bank sets up allowance accounts for all loans, including loans which are not past due.

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

Credit quality by class of financial assets

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

December 2019

Loans and advances to customers At amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Current: Low risk	2,742,157	-	-	-	2,742,157
Satisfactory: Fair risk	85,903	-	-	-	85,903
Substandard: Fair risk	-	70,586	-	-	70,586
Doubtful: Impaired	-	-	55,255	-	55,255
Loss: impaired	-	-	478,727	-	478,727
Gross carrying amount	2,828,060	70,586	533,982	-	3,432,628
Loss allowance	(132,649)	(44,307)	(467,626)	-	(644,582)
Carrying amount	2,695,411	26,279	66,356	-	2,788,046

December 2018

Current: Low risk	2,750,169	-	-	-	2,750,169
Satisfactory: Fair risk	69,034	-	-	-	69,034
Substandard: Fair risk	-	31,446	-	-	31,446
Doubtful: Impaired	-	-	52,860	-	52,860
Loss: impaired	-	-	388,299	-	388,299
Gross carrying amount	2,819,203	31,446	441,159	-	3,291,808
Loss allowance	(112,261)	(15,696)	(318,984)	-	(446,941)
Carrying amount	2,706,942	15,750	122,175	-	2,844,867

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

Credit quality by class of financial assets

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

December 2019

Loans and advances to banks	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Current: Low risk	1,098,852	-	-	-	1,098,852
Gross carrying amount	1,098,852	-	-	-	1,098,852
Loss allowance	-	-	-	-	-
Carrying amount	1,098,852	-	-	-	1,098,852

December 2018

Loans and advances to banks	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Current: Low risk	897,781	-	-	-	897,781
Satisfactory: Fair risk	-	-	-	-	-
Gross carrying amount	897,781	-	-	-	897,781
Loss allowance	-	-	-	-	-
Carrying amount	897,781	-	-	-	897,781

December 2019

Investment securities					
Current: Low risk	583,354	-	-	-	583,354
Satisfactory: Fair risk	-	-	-	-	-
Gross carrying amount	583,354	-	-	-	583,354
Loss allowance	-	-	-	-	-
Carrying amount	583,354	-	-	-	583,354

December 2018

Current: Low risk	100,000	-	-	-	100,000
Satisfactory: Fair risk	-	-	-	-	-
Gross carrying amount	100,000	-	-	-	100,000
Loss allowance	-	-	-	-	-
Carrying amount	100,000	-	-	-	100,000

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

Credit quality by class of financial assets

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

December 2019

Other financial assets	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Current: Low risk	49,519	-	-	-	49,519
Satisfactory: Fair risk	-	-	-	-	-
Gross carrying amount	49,519	-	-	-	49,519
Loss allowance	-	-	-	-	-
Carrying amount	49,519	-	-	-	49,519

December 2018

Other financial assets					
Current: Low risk	111,818	-	-	-	111,818
Satisfactory: Fair risk	-	-	-	-	-
Substandard: Fair risk	-	-	285,958	-	285,958
Doubtful: Impaired	-	-	-	-	-
Loss: impaired	-	-	-	-	-
Gross carrying amount	111,818	-	285,958	-	397,776
Loss allowance	-	-	(285,958)	-	(285,958)
Carrying amount	111,818	-	-	-	111,818

December 2019

Loan commitments and financial guarantees					
Current: Low risk	14,422	-	-	-	14,422
Satisfactory: Fair risk	-	-	-	-	-
Gross carrying amount	14,422	-	-	-	14,422
Loss allowance	-	-	-	-	-
Carrying amount	14,422	-	-	-	14,422

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

December 2018

Loan commitments and financial guarantees	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Current: Low risk	38,088	-	-	-	38,088
Satisfactory: Fair risk	-	-	-	-	-
Gross carrying amount	38,088	-	-	-	38,088
Loss allowance	-	-	-	-	-
Carrying amount	38,088	-	-	-	38,088

Cash and cash equivalents

Included in the Bank's cash and bank balances are balances held with the Central Bank of Liberia and other financial institutions. None of these balances were impaired at the year end and at 31 December 2019 and 31 December 2018.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. The basis of determining transfers due to changes in credit risk is set out in our accounting policy.

December 2019

Loans and advances to customers at amortised cost.	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	112,261	15,696	318,984	446,941
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(3,216)	3,216	-	-
Transfer to stage 3	(9,579)	(12,125)	21,704	-
Net remeasurement of loss allowance	17,548	40,083	278,966	336,597
New loans originated or purchased	109,614	-	-	109,614
Loans that have been derecognized	(105,870)	(2,807)	(38,431)	(147,108)
Write offs	-	-	(169,442)	(169,442)
Exchange difference	11,891	244	55,845	67,980
Balance at 31 December	132,649	44,307	467,626	644,582

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

December 2018

Loans and advances to customers at amortised cost.	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	67,367	23,313	257,253	347,933
Transfer to stage 1	4,250	(1,153)	(3,097)	-
Transfer to stage 2	(12,901)	12,901	-	-
Transfer to stage 3	(13,689)	(14,643)	28,332	-
Net remeasurement of loss allowance	(12,677)	944	100,714	88,981
New loans originated or purchased	125,628	-	-	125,628
Loans that have been derecognized	(65,083)	(10,392)	(36,534)	(112,009)
Write offs	-	-	(77,892)	(77,892)
Exchange difference	19,366	4,726	50,208	74,300
Balance at 31 December	112,261	15,696	318,984	446,941

December 2019

Other financial assets	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	-		285,958	285,958
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	-	-	(44,742)	(44,742)
New loans originated or purchased	-		-	-
Release of impairment charge to P&L	-	-	-	-
Write offs	-	-	(295,061)	(295,061)
Exchange difference	-	-	53,845	53,845
Balance at 31 December	-	-	-	-

December 2018

Other financial assets	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at 1 January	-	-	42,400	42,400
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
New loans originated or purchased	-	-	243,558	243,558
Loans that have been derecognized	-	-	-	-
Write offs	-	-	-	-
Balance at 31 December	-	-	285,958	285,958

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

The following table provides a reconciliation between:

- amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instruments; and
- the 'impairment losses on financial instruments' line item in the statement of comprehensive income.

	Loans and advances to banks at amortised cost	Loans and advances to customers at amortised cost	Other Financial assets	Cash and cash equivalents	Letters of credit, undrawn commitments and guarantees	Total
2019	**LRD**	**LRD**	**LRD**	**LRD**	**LRD**	**LRD**
Net remeasurement of loss allowance	-	189,489	(44,742)	-	-	144,747
New financial assets originated or purchased	-	109,614	-	-	-	109,614
Total	-	299,103	(44,742)	-	-	254,361
Recoveries of amounts previously written off		(18,377)	-	-	-	(18,377)
Total	-	280,726	(44,742)	-	-	235,984
2018						
Net remeasurement of loss allowance	-	(23,028)	-	-	-	(23,028)
New financial assets originated or purchased	-	125,628	243,558	-	-	369,186
Total	-	102,600	243,558	-	-	346,158
Recoveries of amounts previously written off	-	(14,930)	-	-	-	(14,930)
Total	-	87,670	243,558	-	-	331,228

Credit impaired financial assets

The table below sets out a reconciliation of changes in the net carrying amount of credit-impaired loans and advances to customers.

	2019	**2018**
Credit- impaired loans and advances to customer at 1January	122,175	316,711
Classified as credit-impaired during the year	270,551	183,086
Transferred to not credit impaired during the year	-	(3,844)
Net repayments	(53,302)	(44,950)
Amount written off	(169,442)	(77,892)
Change in allowance for impairment	(148,642)	(318,984)
Exchange difference	45,016	68,048
Credit impaired loans and advance to customer at 31 December	66,356	122,175

The carrying amount of loans and advances written off that are still subject to enforcement activity is LRD 169,442 thousand (2018: LRD 77,892 thousand).

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

Financial assets are written-off if the Bank has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The indicators that there is no reasonable expectation of recovery includes the borrower's financial ability and the availability of collateral and its likelihood of repossession and realization.

Regulatory disclosure – Non-performing loans

The percentage of gross non-performing loans ("substandard to loss") to total credit/advances portfolio (gross) was 24.1% (2018: 17.5%).

Portfolio concentration

Portfolio concentration arises when the Bank has significant credit exposures focused in limited number of counterparties. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits. The following table shows the amount of the loan portfolio concentrated on the 10 largest client exposures.

2019			2018		
Outstanding Portfolio	**Amount**	**%**	Outstanding Portfolio	Amount	%
3,354,802	201,415	6%	3,231,394	171,264	5.30%

Maximum exposure to credit risk before collateral held

The maximum exposure to credit risk to financial assets are as follows:

	2018	**2019**
Bank balance with central bank	1,401,044	1,188,554
Bank balance with other banks	85,787	-
Investment securities	583,354	100,000
Loans and advances to banks	1,098,852	897,781
Financial assets at fair value through profit or loss	138,675	152,405
Other financial assets	49,519	111,818
Loans and advances to customers	2,720,304	2,772,725
	6,077,535	5,223,283
Lending commitments and financial guarantees	14,422	38,088
At 31 December	6,091,957	5,261,371

The above represents the maximum exposure to credit risk at 31 December 2019 and 2018, without taking account of any collateral held or other credit enhancements attached. For off-balance-sheet assets, the exposures set out above are based on the amount committed or guaranteed at the reporting date.

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

Collateral held and other credit enhancements, and their financial effect

The Bank holds collateral and other credit enhancements against certain types of its credit exposures.

The table below sets out the principal types of collateral held against different types of financial assets.

Type of exposure

	Percentage of exposure that is subject to collateral requirement		**Principal type of collateral held**
	December 2019	**December 2018**	
Loans and advances to customers			
SME Loans	150%	150%	Mortgage over Commercial and residential properties, cash deposits, charges over business assets
Micro Loans	0%	0%	
Personal loans (below US$ 2,000)	0%	0%	
Personal loans (above US$ 2,000)	100%	100%	Legal mortgages over Land and charges over vehicle
Staff loans (below US$,2000)	0%	0%	
Staff loans (above US$, 2,000)	100%	100%	Legal mortgages over Land and charges over vehicle
Balances with other Banks	0%	0%	

Collateral on impaired exposures

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating over all corporate assets and other liens and guarantees. Because of the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is performed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired.

The Bank holds substantive amounts of inventory, real estate, vehicles, guarantees and equipment as collateral. The fair values of these items cannot be reliably measured and therefore has not be used in the Bank's ECl model.

The Bank's policy is to sell the confiscated collateral via auctions and sales to third parties. The Bank does not sell any of its customers collateral to employees of the Bank or uses them for its own operations. The Bank did not take possession of any collateral during the year (2018: nil)

The bank has not recognized impairment allowance on loan amount of LRD 207,542 thousand (2018: LRD 521,002 thousand) because of the collateral held.

Collateral is not normally held for loans and advances to banks.

For impaired loans, the Bank obtains appraisals of collaterals because the current values of the collaterals are an input to the impairment measurement.

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

b) Liquidity risk

Liquidity risk is the danger that the Bank will no longer be able to meet its payment obligations in full, or in a timely manner. It is also the danger that additional funding can no longer be obtained or can only be obtained at significantly increased costs.

The Bank concentrates on lending to micro, small sized enterprises as well as individuals – the portfolio of such loans makes up nearly 37.1% (2018: 30.6%) of total assets. The portfolio is highly diversified to a large number of customers, and almost exclusively consists of instalment loans with monthly annuity repayments of interest and principal.

The main sources of refinancing are borrowings from financial institutions (24.1% of total assets; in 2018: 22.2%), customer deposits (46.7%; in 2018: 50.7%) and a high share of equity (24.6%; in 2018: 21.2%). Borrowings are predominantly medium-long term and from either development finance institutions (including shareholders) or specialised microfinance investment vehicles.

In the event of a liquidity shortage, the Bank could react by reducing the speed of growth of the loan portfolio, which would lead to opportunity costs but not immediately increase funding cost. In view of these factors, the Bank uses a relatively simple liquidity management system that is based on a rolling forecast of cash flows as well as regular maturity mismatch analysis. The Bank applies a number of externally and internally set liquidity indicators and is usually well within the established limits.

Liquidity management is under the responsibility of an Asset and Liability Committee (ALCO) that is composed of members of the management board and other key managers. Additional oversight and control is provided by the Bank's supervisory board as well as the AccessHolding head office in Berlin. Throughout the reporting period, the Bank had adequate liquidity available at all times to meet all financial obligations in a timely manner.

The Bank maintains a high level of cash and cash equivalents that can be easily liquidated in the event of an unforeseen interruption in cash flow. The liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. Liquid assets consist of balances with central banks and loans and advances to banks with maturity below than 90 days. The Bank believes it is important to use current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the liquid assets to deposit ratio. The liquidity ratios as at year-end were, as follows:

Liquid Assets / Total Assets		Liquid Assets / Deposits < 90 days	
2019	**2018**	**2019**	**2018**
46.40%	37.3%	113.64%	88.1%

Additionally, the Bank monitors deposit concentration on single counterparties. The following table shows the amount of the deposit portfolio concentrated in the 10 largest client exposures.

2019			2018		
Total Deposits	**Amount**	**%**	**Total Deposits**	**Amount**	**%**
3,426,289	320,686	9.36	3,447,468	213,336	6.19%

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

As of December 31, 2019 the maturity schedule is as follows:

Maturity schedule	< 1 month	1 - 3 months	3 - 12 months	12 months to 2 years	2 to 5 years	Total contractual cash flows	Carrying amount
Assets							
Cash and cash equivalents	1,721,122	-	-	-	-	1,721,122	1,721,122
Investment securities	-	181,311	418,028	-	-	599,339	583,354
Loans and advances to banks	196,796	380,743	532,712	-	-	1,110,251	1,098,852
Financial assets at fair value through profit or loss	-	19,506	119,169			138,675	138,675
Loans and advances to customers	590,908	196,559	2,449,194	1,167,447	438	4,404,546	2,720,305
Other financial assets	-	-	26,008	-	23,511	49,519	49,519
Total financial assets	2,508,826	778,119	3,545,111	1,167,447	23,949	8,023,452	6,311,827
Liabilities							
Loans from banks and other financial institutions	199,172	268,934	540,117	416,264	445,519	1,870,006	1,764,422
Customer accounts	2,938,871	56,488	338,975	107,801	-	3,442,135	3,426,289
Other financial liabilities	88,943	-	-	-	-	88,943	88,943
Lease Liability	-	6,467	24,920	16,753	475,920	524,060	167,751
Total financial liabilities	3,226,986	331,889	904,012	540,818	921,439	5,925,144	5,447,405
Net liquidity gap	(718,160)	446,230	2,641,099	626,629	(897,490)	2,098,308	864,421
Cumulated liquidity gap	(718,160)	(271,930)	2,369,169	2,995,798	2,098,308		

The amounts of loans from banks and other financial institutions, and, customer accounts as disclosed in the table above are the contractual undiscounted cash flows which includes the principal and interest payments. These amounts will therefore not reconcile to the carrying value on the statement of financial position.

The liquidity ratio of the Bank as at 31 December 2019 was calculated at approximately 46% (2018: 28%)

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

As of December 31, 2018 the maturity schedule is as follows:

Maturity schedule	**< 1 month**	**1 - 3 months**	**3 - 12 months**	**12 months to 2 years**	**2 to 5 years**	**Total contractual cash flows**	**Carrying amount**
Assets							
Cash and cash equivalents	1,540,450	-	-	-	-	1,540,450	1,540,450
Investment securities	-	-	7,792	92,208	-	100,000	100,000
Loans and advances to banks	405,310	11,796	473,399	7,276	-	897,781	897,781
Financial assets at fair value through profit or loss	-	-	149,588	-	-	149,588	152,405
Loans and advances to customers	312,931	94,761	1,487,287	877,747	-	2,772,725	2,772,725
Other financial assets	-	-	111,818	-	-	111,818	111,818
Total financial assets	2,258,691	106,556	2,229,884	1,022,969	-	5,618,101	5,620,918
Liabilities							
Loans from banks and other financial institutions	-	23,692	733,443	-	873,606	1,630,741	1,512,325
Customer accounts	2,784,469	96,102	397,858	174,954		3,453,383	3,447,468
Other financial liabilities	-	-	76,207	-		76,207	76,207
Total financial liabilities	2,784,469	119,794	1,207,508	174,954	873,606	5,160,331	5,036,000
Net liquidity gap	(525,778)	(13,238)	1,022,376	848,015	(873,606)	457,769	584,918
Cumulated liquidity gap	(525,778)	(539,016)	483,360	1,331,375	457,769		

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

c) Market risk

Market risk is the risk that changes in the market prices such as interest rate, foreign exchange rate will affect the Bank's income or the value of financial instrument.

i) Interest rate risk

Interest rate risk is the danger that the Bank's interest margin will be (negatively) influenced by a change in market interest rates because of a mismatch in the maturity (period of fixed interest rates) between assets and liabilities.

The Bank extends loans with fixed interest rates and their maturities are usually different from that of customer deposits (shorter maturities) and borrowings (longer maturities). Therefore, the Bank does incur an interest rate risk. However, given the imperfect nature of the financial markets in the country, it is uncertain to which extent changes in international or domestic interest rate levels will impact the interest rate level of our customer loans.

The Bank's ALCO monitors interest rate risk at least on a quarterly basis.

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

At December 31, 2019		**Sensitivity**	
	Principal amount	**>2%**	**<2%**
Financial assets			
Investment securities	500,000	10,000	(10,000)
Loans and advances to banks	1,072,863	21,457	(21,457)
Financial assets at fair value through P&L	138,675	2,774	(2,774)
Loans and advances to customers	2,710,219	54,204	(54,204)
	4,421,757	**88,435**	**(88,435)**
Financial liabilities			
Loans from banks and other financial institutions	1,715,082	34,302	(34,302)
Customer accounts	2,606,220	52,124	(52,124)
	4,321,302	**86,426**	**(86,426)**
Impact on post tax profit		**1,507**	**(1,507)**
Impact on equity		**1,507**	**(1,507)**

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

At December 31, 2018		**Sensitivity**	
	Principal amount	**>2%**	**<2%**
Financial assets			
Investment securities	100,000	2,000	(2,000)
Loans and advances to banks	887,162	17,743	(17,743)
Financial assets at fair value through P&L	152,405	3,048	(3,048)
Loans and advances to customers	2,784,452	55,689	(55,689)
	3,924,019	**78,480**	**(78,480)**
Financial liabilities			
Loans from banks and other financial institutions	1,488,633	29,773	(29,773)
Customer accounts	2,539,223	50,784	(50,784)
	4,027,856	**80,557**	**(80,557)**
Impact on post tax profit			**1,558**
Impact on equity			**1,558**

An interest rate shock of +/-2% across all interest-bearing assets and liabilities would result in a post-tax profit of LRD1,507 thousand (2018: LRD1,558 thousand).

ii) Currency risk

Currency risk arises when assets and liabilities of the Bank are denominated in more than one currency and the assets and liabilities in one currency do not match in amount and maturity (open foreign currency positions, OCP). In the Republic of Liberia foreign currencies (mainly USD and to a lesser extent EURO) play an important role in the economy. A significant share of customer deposits is held in USD, and international medium-long term refinancing is often available only in these currencies. Therefore, foreign currencies play an important role for the business of the Bank.

The Bank manages it's OCP on a daily basis and does not allow any violation of externally and internally set limits, which are in the range of 5-10% of the equity per currency. In some cases, loans to customers are extended in USD in addition to local currency, when we believe that the borrowers will be able to return their loans even in case of currency fluctuations.

The Bank uses currency swaps to hedge foreign currency risk. The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to currency risk on financial assets and financial liabilities denominated in Liberian dollars and other currencies other than US dollar as at December 31, 2019 and the effect of a 15% change in the exchange rates.

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

At December 31, 2019		**Sensitivity**	
	Carrying amount	**>15%**	**<15%**
Financial assets	**LRD**	**LRD**	**LRD**
Cash and cash equivalents	811,187	121,678	(121,678)
Loans and advances to banks	149	22	(22)
Investment securities	583,354	87,503	(87,503)
Other financial assets	17,481	2,622	(2,622)
Loans and advances to customers	1,938,891	290,834	(290,834)
	3,351,062	502,659	(502,659)
Financial liabilities			
Loans from banks and other financial institutions	993,070	148,961	(148,961)
Customer accounts	1,374,322	206,148	(206,148)
Other financial liabilities	39,495	5,924	(5,924)
	2,406,887	361,033	(361,033)
Net impact on post tax profit		106,220	(106,220)
Net impact on equity		106,220	(106,220)

At December 31, 2018		**Sensitivity**	
	Carrying amount	**>15%**	**<15%**
Financial assets	**LRD**	**LRD**	**LRD**
Cash and cash equivalents	1,082,868	231,067	(231,067)
Investment securities	107,792	16,169	(16,169)
Loans and advances to banks	890,201	120,078	(120,078)
Other financial assets	365,941	22,861	(22,861)
Loans and advances to customers	1,622,552	253,942	(253,942)
	4,069,354	644,117	(644,117)
Financial liabilities			
Loans from banks and other financial institutions	1,512,325	226,849	(226,849)
Customer accounts	2,034,172	305,126	(305,126)
Other financial liabilities	40,125	6,019	(6,019)
	3,586,622	537,994	(537,994)
Net impact on post tax profit		79,592	(79,592)
Net impact on equity		79,592	(79,592)

An exchange rate shock of +/-15% across all financial assets and liabilities denominated in Liberian dollars would result in a post-tax profit of LRD106,220 thousand (2018: LRD79,592 thousand).

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

37. Events after the reporting period

On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of a novel coronavirus, which originated in December 2019 in Hubei province, China. The WHO declared the coronavirus outbreak to be a pandemic on 11 March 2020 in recognition of its rapid spread across the globe, with over 150 countries, including Liberia and other African countries, now affected.

The outbreak of COVID-19 and the necessary containment measures, which include travel bans, quarantines and social distancing protocols, have resulted in disruption to business and economic activity globally. At the date of authorization of the financial statements, AccessBank Liberia Limited had reduced their operational activity as only the retail section of the bank was operational. The ultimate severity of the COVID-19 outbreak is uncertain at this time and therefore we cannot currently assess the impact it may have on the Bank's future operations. The Bank will continue to closely monitor the spread of COVID-19 and assess its impact on the business.

In addition, the shareholders at the annual general meeting held on 21st April 2020, approved a share swap agreement between Access Microfinance Holding AG and International Finance Corporation. In this transaction, a total of 2,231 shares held in AccessBank Liberia Limited by International Finance Corporation has been transferred to Access Microfinance Holding AG, in exchange for equivalent shares in Access Microfinance Holding AG. This effectively eliminates International Finance Corporation as a direct shareholder in AccessBank Liberia Limited. There is no financial impact of the transaction on the financial statements, even though the shareholders of AccessBank Liberia Limited effectively becomes three, namely; Access Microfinance Holding AG, African Development Bank and European Investment bank.

38. Related-party transactions

Related party for the Bank is Access Microfinance Holding AG and LFS GmbH, a shareholder of AccessHolding and until Q1 2018 a service provider to the Access Group network banks.

The key management personnel compensation was previously not disclosed as the management was seconded from Berlin and on the payroll on AccessHolding.

Transactions with key management personnel
The following table shows the total remuneration of the members of the Management Board. The expense was recognised on an accrual basis and is in accordance with IAS 19.

	2019	**2018**
Short term employee benefits	63,201	5,139
Post -employment benefits	-	-
	63,201	5,139

No loans have been disbursed to members of the management or supervisory board.

The deposit with the bank was LRD 3,868,925 (2018: LRD 829,677)

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

Transactions with related entities

Access Microfinance Holding AG
Access Microfinance Holding AG, Berlin, Germany (AccessHolding) is the parent entity of the Bank and has concluded a service level agreement and a software license agreement with the Bank. The service level agreement provides centralized services from AccessHolding to all subsidiaries in the areas of technology and global IT operations, business, project management, refinancing and funding, finance and reporting, internal audit, risk management and compliance and human resources. In the software license agreement AccessHolding provides the Bank's core banking software and the related maintenance services. The terms and conditions are provided on an arm's length basis and conform to common invoicing and settlement practices. The services are settled in either EUR or USD and are not secured.

Access Microfinance Holding AG	**Rendering of services (expenses)**	**Amounts owed to related parties**
2019	213,457	19,606
2018	169,077	58,059

LFS GmbH
LFS Financial Systems GmbH (LFS), Berlin, Germany, is a shareholder of AccessHolding. A management service contract was executed between the Bank and LFS whereby the latter shall second two Management Board members and other executive and administrative staff as required to fulfil its management mandate. The purchase of goods and services relates to management and IT services fees from LFS. The management and IT contracts were effectively terminated on 1 April 2018.

The following table provides the total amount of transactions and balances that have been entered into with related parties for the relevant financial year:

LFS Financial System	**Rendering services (expenses)**	**Amounts owed to related parties**
2019	**-**	**-**
2018	204,718	13,106

Access Microfinance Nigeria
Access Microfinance Nigeria is a subsidiary of Access Microfinance Holding AG, Berlin, Germany (AccessHolding). AccessBank Nigeria performs IT Audit for AccessBank Liberia as prescribed by Access Microfinance Holding AG.

	Rendering services (expenses)	**Amounts owed to related parties**
2019	2,785	2,121
2018	-	-

During the year, AccessBank received Technical Assistance Fund from the Government of Luxembourg for which European International Bank (a shareholder) is the administrator.

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

39. Central Bank of Liberia (CBL) Prudential Regulation and IFRS Impairment

The impairment loss rates on financial assets as per IFRS and the Prudential Guidelines of the Central Bank of Liberia are shown below. The IFRS impairment is higher than the CBL prudential regulation by LRD 160 million (2018: lower by LRD105 million).

At December 31, 2019
IFRS vs CBL impairment USD portfolio

CBL classification		**IFRS**	**CBL**
Current	(2%)	47,936	18,530
Olem	(5%)	20,326	2,675
Sub standard	(20%)	3,965	954
Doubtful	(50%)	35,496	22,519
Loss	(100%)	221,460	257,150
		329,183	301,828

IFRS vs CBL impairment LRD portfolio

CBL classification		**IFRS**	**CBL**
Current	(2%)	59,227	32,247
Olem	(5%)	42,204	4,900
Sub standard	(20%)	42,026	9,717
Doubtful	(50%)	80,153	43,773
Loss	(100%)	91,789	91,632
		315,399	182,269
Total impairment		644,582	484,097
Net impact			(160,485)

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

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

December 31, 2018

IFRS vs CBL impairment USD portfolio

		IFRS	CBL
CBL classification			
Current	(2%)	14,198	25,011
Olem	(5%)	52,937	3,920
Sub standard	(20%)	8,316	3,808
Doubtful	(50%)	16,697	27,451
Loss	(100%)	208,210	349,882
Total impairment amount		300,358	410,072

IFRS vs CBL impairment LRD portfolio

		IFRS	CBL
CBL classification			
Current	(2%)	23,022	29,141
Olem	(5%)	30,997	6,559
Sub standard	(20%)	10,481	9,945
Doubtful	(50%)	16,728	20,123
Loss	(100%)	65,356	76,285
		146,584	142,053
Total impairment		446,942	552,125
Net impact			105,183

NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

40. Reserves

Statutory reserves

Section 15(1a) of the Financial Institution Act of 1999 require the Bank to make an annual appropriation from profit for the year to statutory reserves. There was a transfer of LRD 43,284 thousand (2018: Nil) from retained earnings to statutory reserve for the year ended December 31, 2019 as a result of the profit reported.

Translation reserves

Translation reserves are a result of translating balances from the functional currency (US Dollars) to the presentation currency (Liberian Dollars).

41. Management Board

The management board comprises of the following members:

Name	Position	Organization
Jonas Nyaye	Managing Director/CEO	Access Microfinance Holding AG
Sergii Blyzniuk	Chief Credit Officer	Access Microfinance Holding AG
James Howard	Chief Operations Officer	AccessBank Liberia
Eric Malm	Chief Information Officer	Access Microfinance Holding AG
Kokulo Nyanquoi	Finance Manager	AccessBank Liberia

42. Going Concern Considerations

The Bank is yet to meet the statutory minimum capital requirements prescribed by the Central Bank of Liberia. The Central Bank of Liberia released an amended prudential regulation concerning minimum capital requirement for Bank-Financial Institutions effective end of 2010, stating that all Banks should have a minimum capital requirement of US$10,000,000. As at 31st December 2019, the capital of AccessBank Liberia Limited stood at US$9,669,563. Section 11(1) of the New Financial Institutions Act 1999 states that the Central Bank of Liberia may revoke the license of the bank as it is in breach of the provisions in the Act.

The Directors of the Bank are confident that the Bank will make enough profit in the next financial period to augment the existing equity to enable it to meet the regulatory requirement of a minimum capital of US$10,000,000. The Directors of the Bank have prepared cash flow forecasts with supportable assumption and inputs which show a positive outlook.

The Directors acknowledge that the Bank's ability to continue to operate as a going concern is dependent on the Bank making enough profit to augment its existing equity in the subsequent year. This condition gives rise to a material uncertainty which may cast significant doubt on the Bank's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that cash flows arising from the normal course of business will be available to finance future operations of the Bank and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.
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NOTES (CONTINUED)
(All amounts are in thousands of Liberian Dollars unless otherwise stated)

43. Corrections of prior period errors

During 2019, the Bank noted the following errors in its 2018 financial statements.

Explanation of restatement adjustment

a) In 2018, the Bank wrongly amortized LRD 45,737,594 in disbursement fee income and therefore overstated interest income and understated the carrying amount of loans and advances to customers. The accounting error also resulted in an understatement of the deferred tax assets from unused tax losses as the Bank understated the tax loss carried forward by LRD 11,434,399.

b) In 2018, the Bank wrongly amortised intangible assets amounting to LRD 43,611,920 thereby understating the net book value of intangible assets by same amount. The error resulted in the overstatement of deferred tax assets by LRD 10,902,890.

c) In 2018 the Bank wrongly calculated deferred tax assets arising from the temporary differences between the carrying amounts of its property and equipment and its intangible assets and their related tax bases. The main reason for the wrong calculation was the wrong inclusion of foreign exchange revaluation in the tax bases and the use of wrong opening balances. The retrospective adjustment amounted to LRD 72,630,501.

In addition to the above, there was a deferred tax impact of LRD 11,434,399 relating to overstatement in disbursement fee income (note a) and of LRD 10,902,890 relating to the over amortisation of intangible assets (note b). The net impact of these on deferred tax assets is LRD 72,099,082.

d) In 2018, the Bank did not account for the tax effect of the IFRS 9 opening adjustment. This is being accounted for directly through retained earnings. The adjustment amount to LRD 6,966,250.

e) In 2018, the bank wrongly accounted for advance tax payments of LRD 26,639,229 made in the year as part of deferred tax asset instead of current tax asset. The accounting error resulted in deferred tax asset being overstated by LRD 26,639,229 and current tax assets being understated by LRD 26,639,229.

The errors have been corrected by restating each of the affected financial statements line items for prior periods.

NOTES (CONTINUED)

STATEMENT OF FINANCIAL POSITION
(All amounts in thousands of Liberian Dollars)

	Note	2018 financial statement as previously stated	Correction of error	Restated 2018 financial statement
Assets				
Cash and cash equivalents		1,540,450	-	1,540,450
Investment securities at amortized cost		100,000	-	100,000
Loans and advances to banks		897,781	-	897,781
Financial assets at fair value through profit and loss		152,405	-	152,405
Loans and advances to customers	a	2,818,464	(45,739)	2,772,725
Other financial assets		111,818	-	111,818
Other non-financial assets		123,593	-	123,593
Property and equipment		473,530	-	473,530
Intangible assets	b	49,384	43,612	92,996
Current income tax asset	e	46,600	26,640	73,240
Deferred income tax asset	c,e	205,821	(98,739)	107,082
Total assets		6,519,846	(74,226)	6,445,620
Liabilities				
Loans from banks and other financial institutions		1,512,325	-	1,512,325
Customer accounts		3,447,468	-	3,447,468
Provisions		2,794	-	2,794
Other financial liabilities		76,207	-	76,207
Other non-financial liabilities		36,407	-	36,407
Total liabilities		5,075,201	-	5,075,201
Equity				
Share capital		804,641	-	804,641
Statutory reserve		49,934	-	49,934
Translation reserve		982,178	-	982,178
Retained earnings	a,b,c,d	(392,108)	(74,226)	(466,334)
Total equity		1,444,645	-	1,370,419
Total liabilities and equity		6,519,846	(74,226)	6,445,620

NOTES (CONTINUED)

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in thousands of Liberian Dollars)

	Note	2018 financial statement as previously stated	Correction of error	Restated 2018 financial statement
Interest income using the effective interest method	a	1,002,236	(45,738)	956,498
Interest expense		(190,621)		(190,621)
Net interest income		811,615	(45,738)	765,877
Impairment charge on financial assets		(331,228)		(331,228)
Net interest income after impairment charge on financial assets		480,387	(45,738)	434,649
Fee and commission income		192,974		192,974
Fee and commission expense		(3,276)		(3,276)
Net result from foreign exchange operations		(182,284)		(182,284)
Gain on financial instruments at fair value through profit and loss		117,443		117,443
Other operating income		3,159		3,159
Net operating income		608,403	(45,738)	562,665
Personnel expenses		(413,258)		(413,258)
Operating lease expenses		(21,578)		(21,578)
Depreciation and amortization	b	(128,298)	37,425	(90,873)
Other administrative expenses	b	(484,271)	6,186	(478,086)
Other operating expense		(7,569)		(7,568)
Loss before income tax		(446,571)	(2,127)	(448,698)
Income tax credit	c	156,182	(79,065)	77,117
Loss for the year		(290,389)	(81,192)	(371,581)
Other comprehensive income				
Foreign exchange difference on translation		350,741	-	350,741
Total comprehensive income		60,352	(81,192)	(20,840)

NOTES (CONTINUED)

STATEMENT OF CASH FLOWS
(All amounts in thousands of Liberian Dollars)

	Note	2018 financial statement as previously stated	Correction of error	Restated 2018 financial statement
Profit/(loss) before income tax	a.b	(446,571)	(2,127)	(448,698)
Adjustments for non-cash items:				
Gains and losses financial assets at fair value through profit or loss		(117,443)	-	(117,443)
Impairment charge on financial assets		346,158	-	346,158
Exchange difference		184,029	-	184,029
Depreciation and amortization	b	128,298	(43,611)	84,687
Profit from disposal of property, plant and equipment		(522)	-	(522)
Interest income	c	(1,002,236)	45,738	(956,498)
Interest expense		190,621	-	190,621
		(717,666)	-	(717,666)
Changes in working capital				
Loans and advances to customers		(789,258)	-	(789,258)
Loans and advances to banks (>90 days)		(489,645)	-	(489,645)
Other financial assets		(309,284)	-	(309,284)
Other non-financial assets		14,049	-	14,049
Investment securities		(60,822)	-	(60,822)
Loans from banks and other financial institutions		726,302	-	726,302
Customers' accounts		583,887	-	583,887
Other liabilities		29,614	-	29,614
Provisions		1,206	-	1,206
Cash used in operations		(1,011,617)	-	(1,011,617)
Interest received		973,719	-	973,719
Income tax paid		(26,511)	-	(26,511)
Interest paid		(168,557)	-	(168,557)
Net cash outflow from operating activities		(232,966)	-	(232,966)
Cash flow from investment activities				
		(96,287)	-	(96,287)
		-	-	-
Proceed from disposal of property and equipment		522	-	522
Net cash outflow from investing activities		(95,765)	-	(95,765)
Net decrease in cash and cash equivalents		(328,731)	-	(328,731)
Cash and cash equivalents at January 1		2,119,053	-	2,119,053
Effects on changes in foreign exchange rate		158,264	-	158,264
Cash and cash equivalents at December 31		1,948,586	-	1,948,586