ACCESSBANK LIBERIA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED December 31, 2017

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CORPORATE INFORMATION

Directors	Mr. Bernd Zattler	Chairman
	Mr. Kyle Lackner	Director
	Mr. Geegbae A. Geegbae	Director
	Mr. Duannah Kamara	Director
	Mr. Monojeet Pal	Director
	Mr. Jonas Nyaye	Managing Director
	Ms. Claire Clasquin	Director
Register Office	AccessBank Liberia Limited 20th Street, Sinkor Monrovia	
Auditor	PricewaterhouseCoopers (Liberia) LLC 9th Street Payne Avenue Sinkor Monrovia, Liberia	
Company Secretary	Resigned and Not Yet Appointed.	

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended December 31, 2017.

Statement of directors' responsibilities

The directors are responsible for the preparation of the financial statements for each financial year which gives a true and fair 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 and the Prudential Regulations of the Central Bank of Liberia (CBL).

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 company and taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Name of Committee	Name and Designation of Committee Member	Summary of Terms of Reference	Frequency of Meetings
Asset and liability committee (ALCO)	Chairman: Prof. Geegbae Geegbae Members: Kyle Lackner, Monojeet Pal	Meet to discuss asset and liability issues	Quarterly
Board credit committee	Chairman: Bernd Zattler Members: Kyle Lackner Duannah Kamara	Review and discuss credit report and credit issues	Quarterly
Board risk managemen t committee	Chairman: Monojeet Pal Members: Claire Clasquin Bernd Zattler	Review and discussion of risk reports and risk management issues	Quarterly
Audit commitee	Chairman: Duannah Kamara Members: Bernd Zattler Claire Clasquin	Review and discussion of audit reports and audit activities	Quarterly

Principal activities

The company 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.

REPORT OF THE DIRECTORS (continued)

Holding company

The bank is a subsidiary of Access Microfinance Holding AG Group. Therefore, Access Bank Liberia Limited is consolidated in the financial statements of Access Microfinance Holding AG. Access Bank is not a capital market-oriented company. The financial statements of the Bank for the financial year 2017 will be approved for issue by the Board of Directors in July 2018. Neither the Bank's owners nor others have the power to amend the financial statements after issue.

Going concern

The management of the bank has assessed its ability to continue as a going concern and is content that it will have the resources to do so. Management is not aware of any material uncertainties that may have a significant influence on this assessment. Therefore, the financial statements are prepared on a going concern basis.

Share capital

Details of the Bank's share capital are given in Note 29 to the financial statements.

Directors

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

Auditor

The Bank's auditor, PricewaterhouseCoopers (Liberia) LLC will continue in office.

Approval of the financial statements

The financial statements of the Bank were approved by the Board of Directors on July 10, 2018.

By Order of the Board

Name of director: BERND ZATTLER **Signature:**

Name of director: JONAS NYAYE **Signature:**

Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of AccessBank Liberia Limited as at December 31, 2017, and 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 Registered Business Company Law (2002) and the New Financial Institutions Act (FIA) of 1999.

What we have audited

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

The financial statements on pages 7 to 55 comprise:

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

Basis for opinion

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

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

Independence

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

Other information

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

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

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Registered Business Company Law (2002) and the New Financial Institutions Act (FIA) of 1999 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the directors for the financial statements (continued)

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

The directors are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bank's the internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF ACCESSBANK LIBERIA LIMITED (CONTINUED)

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

iii) the Bank's balance sheet (statement of financial position) and Bank's profit and loss account (part of the Bank's statement of comprehensive income) are in agreement with the books of account.

The Financial Institution Act, 1999 (FIA) requires that we consider and report on the following matters. We confirm that:

i) in our opinion , the accounts give a true and fair view of the state of affairs of the Bank and the results of operations for the period under review; and

ii) we were able to obtain all the information and explanations required for the efficient performance of our duties as auditor.

The engagement partner on the audit resulting in this independent auditor's report is Taweh Jefferson Veikai.

PricewaterhouseCoopers

Certified Public Accountants
Monrovia, Liberia
Date: June 25, 2018

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STATEMENT OF FINANCIAL POSITION

(All amounts in thousands of Liberian Dollars)

	Note	At December 31 2017	2016
Assets			
Cash and cash equivalents	13	**1,582,058**	807,507
Investment securities			
- Held to maturity	14	**39,178**	-
Loans and advances to banks	15	**536,995**	419,584
Financial assets at fair value through profit/(loss)	16	**66,299**	-
Loans and advances to customers	17	**2,180,352**	2,094,066
Property and equipment	18	**367,899**	308,122
Intangible assets	19	**77,707**	69,873
Current income tax asset	20	**46,729**	13,681
Deferred income tax asset	21	**22,999**	29,859
Other financial assets	22	**88,492**	32,464
Other non-financial assets	23	**137,642**	87,145
Total assets		**5,146,350**	3,862,301
Liabilities			
Loans from banks and other financial institutions	24	**786,023**	487,906
Customer accounts	25	**2,863,581**	2,136,189
Provisions	26	**1,588**	3,082
Other financial liabilities	27	**58,250**	63,645
Other non-financial liabilities	28	**24,750**	33,809
Total liabilities		**3,734,192**	2,724,631
Equity			
Share capital	29	**804,641**	804,641
Statutory reserve		**49,934**	45,947
Translation reserve		**631,437**	372,895
Retained earnings		**(73,854)**	(85,813)
Total equity		**1,412,158**	1,137,670
Total liabilities and equity		**5,146,350**	3,862,301

The accompanying notes on pages 11 to 55 form an integral part of these financial statements.
The financial statements on pages 7 to 55 were approved by the Board of Directors on July 10, 2018 and signed on its behalf by:

Name of Director: BERND ZAHLER **Name of Director:** JONAS NYAYE

Signature: **Signature:**

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

		At December 31	
		2017	2016
Interest income	3	**906,334**	886,525
Interest expense	4	**(130,904)**	(52,255)
Net interest income before allowance of impairment losses on interest-bearing assets		**775,430**	834,270
Impairment charge for loan losses	5	**(159,854)**	(76,950)
Net interest income		**615,576**	757,320
Fee and commission income	6	**158,846**	90,175
Fee and commission expense	6	**(1,609)**	(1,101)
Net (loss)/gain on foreign exchange trading	7	**(73,121)**	6,924
Net result from financial instruments at fair value through profit and loss	8	**66,299**	-
Net other operating expenses	9	**(2,095)**	(7,457)
Net operating income		**763,896**	845,861
Personnel expenses	10	**(329,043)**	(322,258)
Operating lease expenses	11	**(19,407)**	(17,464)
Depreciation and amortization expenses	11	**(109,489)**	(107,395)
Other administrative expenses	11	**(293,741)**	(219,768)
Profit before income tax		**12,216**	178,976
Income tax credit/(expense)	12	**3,730**	(50,882)
Profit or loss for the year		**15,946**	128,094
Other comprehensive income		**-**	-
Total comprehensive income		**15,946**	128,094

The accompanying notes on pages 11 to 55 form an integral part of these financial statements.

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

	Issued capital	Statutory reserve	Retained Earnings	Translation reserve	Total equity
Year ended 31 December 2017					
At January 1, 2017	804,641	45,947	(85,813)	372,895	**1,137,670**
Profit for the year	-	-	15,946	-	**15,946**
Exchange difference on translation				258,542	**258,542**
Total comprehensive income	**-**	**-**	**15,946**	**258,542**	**274,488**
Transfers to statutory reserve	-	3,987	(3,987)	-	-
At December 31, 2017	**804,641**	**49,934**	**(73,854)**	**631,437**	**1,412,158**
Year ended 31 December 2016					
At January 1, 2016	804,641	13,923	(181,883)	234,294	870,975
Profit for the year	-	-	128,094	-	128,094
Exchange difference on translation	-	-	-	138,601	138,601
Total comprehensive income	-	-	128,094	138,601	266,695
Transfers to statutory reserve	-	32,024	(32,024)	-	-
At December 31, 2016	804,641	45,947	(85,813)	372,895	1,137,670

The accompanying notes on pages 11 to 55 form an integral part of these financial statements.

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

	Note	Year ended December 31 **2017**	 2016
Profit before income tax		**12,216**	178,976
Adjustments for non-cash items:			
Measurement gains and losses financial assets at fair value through profit or loss	8	**(66,299)**	-
Impairment charge for loan losses		**169,115**	85,375
Unrealized loss/(gain) from currency translation	7	**71,383**	(4,172)
Depreciation and amortization expense	11	**109,489**	107,395
Profit from disposal of property, plant and equipment	18	**(794)**	(1,075)
Interest income	3	**(906,334)**	(886,525)
Interest expense	4	**130,904**	52,255
		(480,320)	(467,771)
Changes in working capital			
Loans and advances to customers		**(264,143)**	(791,891)
Other financial assets		**(56,028)**	(12,084)
Other non-financial assets		**(50,496)**	32,100
Investment securities		**(39,178)**	-
Loans from banks and other financial institutions		**287,415**	368,687
Customers' accounts		**722,390**	292,856
Other liabilities		**(14,453)**	44,911
Provisions		**(1,494)**	(3,974)
Cash generated from/(used in) operations		**103,693**	(537,166)
Interest received		**880,950**	880,756
Income tax paid		**(22,459)**	(18,789)
Interest paid		**(115,200)**	(46,156)
Net cash inflow from operating activities		**846,984**	278,645
Cash flow from investment activities			
Purchase of property, plant and equipment		**(49,310)**	(49,672)
Purchase of intangible assets		**(40,166)**	(57,422)
Proceed from disposal of property, plant and equipment	17	**794**	1,075
Net cash outflow from investing activities		**(88,682)**	(106,019)
Net increase in cash and cash equivalents		**758,302**	172,626
Cash and cash equivalents at January 1		**1,227,091**	922,174
Effects on changes in foreign exchange rate		**133,660**	132,291
Cash and cash equivalents at December 31	13	**2,119,053**	1,227,091

The accompanying notes on pages 11 to 55 form an integral part of these financial statements.

NOTES

1. Reporting Entity

AccessBank Liberia Limited (the "Bank"), is a joint stock company/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. 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 working capital and loans. The financial statements for the year ended December 31, 2017 were authorised for issue by the Bank's board of directors on June _, 2018.

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

The financial statements have been prepared on a historical cost basis, except for financial assets and liabilities carried at amortized cost and financial assets and liabilities at fair value through profit or loss. The financial statements are presented in Liberian Dollars (LRD), which is the presentation currency of the Bank and all values are rounded to the nearest thousands, except when otherwise indicated. Details of the Bank's accounting policies, including changes during the year, are included in note 2.3.

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretation Committee (IFRIC) interpretations and comply with the New Financial Institutions Act (FIA) of 1999 and the Prudential Regulations of the Central Bank of Liberia, where appropriate.

Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets 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.

2.2. 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.

NOTES (Continued)

2. Accounting policies (continued)

2.2. Significant accounting judgements, estimates and assumptions (continued)

Critical estimates and assumptions

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.

Loans and advances to customers and banks

The Bank regularly reviews its loans and advances to customers and banks to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified for an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or economic conditions that correlate with defaults on assets in the group. The Bank uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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 30.

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 recognised, based upon the likely timing and level of future taxable profits. The profit projection is based on the latest business plan as of December 2017 and therefore reflects management's best estimate on future taxable profits.

NOTES (Continued)

2.3. Summary of significant accounting policies

a) Foreign currency translation

The financial statements are presented in Liberian Dollars (LRD). Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency").

Transactions in foreign currencies are initially recorded at the spot rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are recognised in 'Net result from foreign exchange operations' in the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates at the date of recognition.

The following exchange rates were applied in these financial statements.

1 USD equals	Abbreviation	12.31.2017	12.31.2016
Liberian Dollar	LRD	125.18	102

b) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the settlement date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

The Bank classifies its financial assets and liabilities into the following categories: financial assets and liabilities at fair value through profit or loss, loans and receivables, other financial liabilities at amortized cost and held to maturity financial assets. The Bank does not classify any financial instruments under the held-to-maturity category. Management determines the categorization of its financial instruments at initial recognition.

NOTES (Continued)

2.3. Summary of significant accounting policies (continued)

b) Financial instruments–initial recognition and subsequent measurement (continued)

(iii) Derivatives recorded at fair value through profit or loss
The Bank uses derivatives such as currency forwards and interest rate swaps. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in 'Net result from financial instruments at fair value through profit or loss'.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the profit or loss.

Financial assets and financial liabilities at fair value through profit or loss are derivatives which are not designated in a qualifying hedge relationship. The Bank purchases derivative instruments only for risk management purposes to manage the open currency position.

(iv) 'Day 1' profit or loss
When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a Day 1 profit or loss) in 'Net result from financial assets at fair value through profit or loss'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised.

(v) Financial assets available-for-sale
Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, financial assets available-for-sale are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity ('Other comprehensive income') in the 'Available-for-sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the profit or loss in 'Net result from financial assets available-for-sale'. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. Interest earned whilst holding financial assets available-for-sale is reported as interest income using the effective interest rate. Dividends earned whilst holding financial assets available-for-sale are recognised in the profit or loss as 'Net other operating income' when the right of the payment has been established.

NOTES (Continued)

2.3. Summary of significant accounting policies (continued)

b) Financial instruments–initial recognition and subsequent measurement (continued)

(v) Financial assets available-for-sale (continued)
The losses arising from impairment of such investments are recognised in the profit or loss in 'Net result from financial assets available-for-sale' and removed from the 'Available-for-sale reserve'.

(vi) Loans and advances to banks and customers
Loans and advances to banks and customers include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank, upon initial recognition, designates as at fair value through profit or loss
- Those that the Bank, upon initial recognition, designates as available-for-sale
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, loans and advances to banks and customers are subsequently measured at amortised cost using the effective interest rate, less allowance for impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in the profit or loss. The losses arising from impairment are recognised in the profit or loss in 'Impairment charge for loan losses'.

(vii) Loans from banks and other financial institutions, subordinated debt, debt securities and *customer accounts*

Financial instruments issued by the Bank that are not designated at fair value through profit or loss, are classified as liabilities under Loans from banks and other financial institutions, subordinated debt, debt securities and customer deposits, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder.

After initial measurement, loans from banks and other financial institutions, subordinated debt, debt securities and customer accounts are subsequently measured at amortised cost using the effective interest rate. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

NOTES (Continued)

2.3. Summary of significant accounting policies (continued)

c) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement and either:
    - The Bank has transferred substantially all the risks and rewards of the asset, or
    - The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

(ii) Financial liabilities

A financial liability is derecognised 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 derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

d) Impairment of financial assets

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

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES (Continued)

2.3. Summary of significant accounting policies (continued)

d) Impairment of financial assets (continued)

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (loans and advances to banks and customers), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the 'Impairment charge for loan losses'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics such as product type and arrears category.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are 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 on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

NOTES (Continued)

2.3. Summary of significant accounting policies (continued)

d) Impairment of financial assets (continued)

(ii) Financial assets available-for-sale
For financial instruments available-for-sale, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost.

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

(iii) Renegotiated loans
Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This 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 effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(iv) Repossessed property
The Bank's policy restricts the use of a repossessed asset for its internal operations. The repossessed assets are generally sold in accordance with local regulations. Assets that are determined to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

e) 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 recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. 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.

NOTES (Continued)

2.3. Summary of significant accounting policies (continued)

f) Leasing

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Bank *as a lessee*

Leases that do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

Agreements which transfer to the lessee substantially all the risks and rewards incidental to the ownership of assets, but not necessarily a legal title, are classified as finance leases. The Bank currently does not lease assets in finance leases.

g) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest income and expense

For all financial instruments measured at amortized cost, interest bearing financial assets classified as held to maturity and financial instruments at fair value through profit or loss, interest income or expense is recorded using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as Interest income' for financial assets and Interest expense for financial liabilities.

However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

NOTES (Continued)

2.3. Summary of significant accounting policies (continued)

g) Recognition of income and expenses (continued)

For loans where there is objective evidence that an impairment loss has been incurred, the accrual of interest income is terminated not later than 90 days after the last payment. Payments received in respect of written-off loans are recorded as a reduction of impairment charge for loan losses.

(ii) Fee and commission income

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income, fees from cash transactions, fees from money transfers and other fees from customers.

Loan commitment fees are recognized over the life of the commitment if it is unlikely that the Bank will enter into a specific lending arrangement. If it is probable that the Bank will enter into a specific lending arrangement, the loan commitment fee is deferred until the origination of a loan and recognized as an adjustment to the loan's effective interest rate.

h) Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, central bank accounts, short-term treasury bills and loans and advances to banks on demand or with an original maturity of three months or less.

i) Property and equipment

Property and equipment is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

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

Property and equipment is derecognised 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 recognised in 'Net other operating income' in the profit or loss in the year the asset is derecognised.

NOTES (Continued)

2.3. Summary of significant accounting policies (continued)

j) Intangible Assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial yearend. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented together with depreciation expense in the in the profit or loss.

Amortisation 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 5 years
- Computer software 2 years

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually.

k) Impairment of non–financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

NOTES (Continued)

2.3. Summary of significant accounting policies (continued)

l) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised 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 initially recognised less cumulative amortisation recognised in the profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the profit or loss in 'Impairment charge for loan losses'. The premium received is recognised in the profit or loss in 'Net fee and commission income' on a straight line basis over the life of the guarantee.

m) Defined contribution plans

The Bank operates a defined contribution plan with its payments to the social security fund. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

n) Provisions

Provisions are recognised 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.

o) Income taxes

(i) Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred income tax

Deferred income tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

NOTES (Continued)

2.3. Summary of significant accounting policies (continued)

o) Income taxes (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.
Current income tax and deferred income tax relating to items recognised directly in equity are also recognised in equity and not in the profit or loss. Deferred income tax assets and liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities.

p) Equity reserves
The reserves recorded in equity (Other comprehensive income) on the Bank's statement of financial position include:

- Translation reserve, which comprises of foreign currency translation reserve.
- Statutory reserve, which includes the portions of prior years' profits allocated to a statutory reserve.

q) Change in accounting policies and accounting estimates

Change in accounting estimates
In 2017, the Bank revised several rates for the calculation of collective allowance for impairment loss for the Bank's loans and advances to customers. The revised rates were based on an updated assessment of historical default rates in the Bank, 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.

(i) New standards, amendments and interpretations adopted by the Bank

The Bank considered for application, certain standards and amendments which are effective for annual periods beginning on or after January 1, 2017. However, these standards and amendments as detailed below, do not significantly impact the financial statements of the Bank. The nature and the impact of each new standards and amendments are described below:

Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the accounting treatment for deferred tax assets of debt instruments measured at fair value for accounting but measured at cost for tax purposes and confirmed that a temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period. The adoption of this amendment did not have a material impact on the Bank's financial statements.

Amendments to IAS 7, Statement of Cash Flows: Disclosure Initiative

The IASB issued amendments to IAS 7 Statement of Cash Flows with the intention to improve disclosures of financing activities and help users to better understand the reporting entities' liquidity positions. Under the new requirements, entities are required to disclose changes in their financial liabilities as a result of financing activities such as changes from cash flows and non-cash items (e.g. gains and losses due to foreign currency movements). The adoption of this amendment did not have a material impact on the Bank's financial statements.

NOTES (Continued)

2.3. Summary of significant accounting policies (continued)

q) Change in accounting policies and accounting estimates (continued)

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

The standards that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards when they become effective.

- IFRS 9 - Financial instruments

Introduction

In July 2014, the IASB issued IFRS 9 Financial Instruments, the standard that will replace IAS 39 for annual periods on or after January 1, 2018, with early adoption permitted.

Classification and measurement

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair Value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

Impairment of financial assets

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

Impairment of financial assets

- To calculate ECL, the Bank will estimate the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Bank under the contract, and

- The cash flows that the Bank expects to receive, discounted at the effective interest rate of the loan.

NOTES (Continued)

2.3. Summary of significant accounting policies (continued)

q) Change in accounting policies and accounting estimates (continued)

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

Hedge accounting
The Bank currently does not apply hedge accounting, but will assess its applicability under IFRS 9.

Expected effects on the Bank's financial statements
In 2017, the Bank started the review and analysis of the impacts of the new standard on the Bank's financial statements.
The Bank currently expects the following effects:

- The majority of loans and advances to banks, loans and advances to customers, cash collateral and cash settlement balances with clearing houses that are classified as loans and receivables under IAS 39 are expected to be measured at amortised cost under IFRS 9
- Non-trading derivatives are continued to be measured at FVPL
- The majority of the debt securities classified as available for sale under IAS 39 are expected to be measured at amortised cost or FVPL.

In comparison to IAS 39, the Bank expects the impairment charge under IFRS 9 to be more volatile than under IAS 39, but due to already high incurred but not identified (IBNI) impairment losses the Bank expects a small increase in the total level of current impairment allowances.
The Bank will group its loans into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below:

- Stage 1 – Performing loans: when loans are first recognised, the Bank will recognise an allowance based on 12-month expected credit losses.
- Stage 2 – Underperforming loans: when a loan shows a significant increase in credit risk, the Bank will record an allowance for the lifetime expected credit loss.
- Stage 3 – Impaired loans: the Bank will recognise the lifetime expected credit losses for these loans. In addition, in stage 3 the Bank accrues interest income on the amortised cost of the loan net of allowances.

For any financial guarantee contracts which the bank embark upon, the Bank will estimate the lifetime ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

For revolving facilities such as overdrafts, the Bank will measure ECLs by determining the period over which it expects to be exposed to credit risk, taking into account the credit risk management actions that it expects to take once the credit risk has increased and that serve to mitigate losses.

When forbearance results in derecognition of the original loan, the new loan will be classified as originated credit-impaired.

NOTES (Continued)

2.3. Summary of significant accounting policies (continued)

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

Other than originated credit-impaired loans, loans will be transferred from out of stage 3 if they no longer meet the criteria of credit-impaired
Forward looking information
The Bank will incorporate forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECLs.

- *IFRS 15 "Revenue from Contracts with Customers"*. The standard specifies how and when revenue shall be recognized and requires additional disclosure requirements but it does not impact income recognition related to financial instruments in scope of IFRS 9/ IAS 39. The standard replaces several other IFRS standards and interpretations that currently govern revenue recognition and provides a single five-step model to be applied to all contracts with customers. In addition, the standard requires entities to provide more meaningful and more relevant notes to the users of financial statements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The standard is not expected to have any significant impact on the recognition of revenue of the Bank and the Bank expects to implement the standard modified retrospectively.
- *Clarifications to IFRS 15 Revenue from Contracts with Customers* were issued on April 12, 2016. The amendments address topics such as identifying performance obligations, principal versus agent considerations, and licensing. The purpose is to provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after January 1, 2018. The clarifications are not expected to have any impact on the Bank's financial statements.
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" was issued on December 8, 2016. IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The interpretation is not expected to have any impact on the Bank's financial statements.
- *IFRS 16 "Leases"* was issued on January 13, 2016. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. The standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Bank is currently assessing the impact of IFRS 16.
- *IFRIC 23 "Uncertainty over Income Tax Treatments"* clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The interpretation is not expected to have any impact on the Bank's financial statements.

  Amendments to existing standards and improvements that are not yet effective have not been the subject of early adoption at the Bank.

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

3. Interest income

	2017	2016
Interest income is broken down as follows:		
Interest income from loans and advances to customers	**770,177**	758,927
Interest income from balances with banks	**4,178**	1,139
Disbursement fee income	**116,945**	111,481
Interest income from held to maturity	**1,060**	-
Penalty interest	**13,974**	14,978
Total	**906,334**	886,525

4. Interest expense

Interest expense is broken down as follows:

Interest expense on loans from banks and other financial institutions	**48,368**	10,265
Interest expense on term deposits	**23,545**	17,946
Interest expense on financial instruments at fair value through profit or loss	**34,782**	-
Interest expense on savings accounts	**23,977**	24,044
Other interest expense	**232**	-
Total	**130,904**	52,255

5. Impairment charges for loan losses

The impairment charges are broken down as follows:

Collective impairment allowance	**167,676**	85,375
Specific impairment charges for individually impaired loans	**1,439**	-
	169,115	85,375
Income from recovery of written-off loans	**(9,261)**	(8,425)
Total	**159,854**	76,950

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

6. Net fee and commission income

	2017	2016
Net fee and commission income is broken down as follows:		
Fee and commission income from cash transactions	**4,413**	3,924
Fee and commission income from account maintenance	**78,370**	53,429
Fee and commission income from international money transfers	**22,430**	14,664
Fee and commission income on cheques	**1,288**	742
Other account service fees	**12,231**	7,684
Fees from dormant accounts	**35,665**	8,736
Fees from trade finance and national guarantees	**1,287**	892
Other fee and commission income from customers	**3,162**	104
Total fee and commission income	**158,846**	90,175
Fee and commission expense on nostro accounts	**(1,050)**	(103)
Fee and commission expense for international money transfers	**(559)**	(967)
Other fee and commission expense	**-**	(31)
Total fee and commission expense	**(1,609)**	(1,101)
Net fee and commission income	**157,237**	89,074

7. Net (loss)/gain on foreign exchange trading

Gains/(losses) from foreign exchange operations with customers	**(1,738)**	2,752
Gains/(losses) from currency revaluations	**(71,383)**	4,172
Total	**(73,121)**	6,924

The Bank does not engage in any foreign currency trading on its own account.

8. Net result from financial instruments at fair value through profit and loss

The net result from financial instruments at fair value through profit and loss (“AFV instruments”) is broken down as follows:

	2017	2016
Gains from revaluation of AFV instruments	**66,299**	-
Net result	**66,299**	-

The net result 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 to hedge LRD liabilities.

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

9. Net other operating expenses

	2017	2016
Net other operating income is broken down as follows:		
Profit on disposal of property, plant and equipment (note 17)	**794**	1,075
Income from litigations	**-**	2,836
Income from reimbursement of expenses	**327**	2,939
Other operating income	**2,452**	1,376
Other operating expenses	**(5,668)**	(15,683)
Net result	**(2,095)**	(7,457)

10. Personnel expenses

The breakdown of personnel expenses is as follows:

	2017	2016
Salary expenses	**307,524**	300,242
Social security expenses	**14,485**	13,686
Other personnel expenses	**7,034**	8,330
Total	**329,043**	322,258

11. Other operating expenses

The breakdown of other operating expenses is as follows:

	2017	2016
Operating lease expenses	**19,407**	17,464
Depreciation and amortization expenses	**109,489**	107,395
Other administrative expenses:		
Consulting fees LFS	**129,671**	57,997
Communication expenses	**13,610**	9,335
Transport expenses	**4,503**	17,398
Travel expenses	**9,429**	-
IT expenses	**3,406**	990
Utilities and electricity expenses	**23,782**	18,858
Printing and office supplies	**22,083**	20,921
Security service expenses	**26,427**	22,581
Marketing, advertising and entertainment	**9,333**	3,584
Repair and maintenance	**11,675**	9,441
Audit fees	**6,264**	4,385
Legal and advisory expenses	**6,744**	7,566
Insurance expenses	**6,574**	4,974
Non-profit tax expenses	**3,685**	-
Training expenses	**5,338**	2,001
Other service expenses	**2,815**	27,506
Board expenses	**2,004**	1,009
Others	**6,398**	11,222
Total – other administrative expenses	**293,741**	219,768

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

12. Income tax (credit)/expense

	2017	2016
The breakdown of income tax expenses is as follows:		
Current income tax (credit)/charge (note 19)	**(10,589)**	44,837
Deferred income tax charge (note 20)	**6,859**	6,045
Total	**(3,730)**	50,882

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

Tax reconciliation	**2017**	2016
Profit before income tax	**12,216**	178,976
Income tax rate of	**25%**	25%
Expected income tax expense	**3,054**	44,744
Tax effects		
+ Effect of non-tax allowable expenses	**8,516**	3,703
+/- Effects of income tax expense/(income) from prior periods	**(15,300)**	15,300
+ Other tax effects	**-**	(12,865)
Income tax (credit)/expense	**(3,730)**	50,882

The various tax effects explain the differences between the expected income tax expense of LRD 3,054 thousand (2016: LRD 44,744 thousand) on the basis of the enacted income tax rate and the actual income tax (credit)/expense of LRD3,730 thousand (2016: LRD50,882 thousand).

13. Cash and cash equivalents

	2017	2016
Cash and cash equivalents were comprised as follows:		
Cash on hand	**214,964**	317,169
Central bank accounts	**1,367,094**	490,338
Total	**1,582,058**	807,507
Loans and advances to banks (< 90 days)	**536,995**	419,584
Cash and cash equivalents in the Cash Flow Statement	**2,119,053**	1,227,091

14. Investment securities

Held to maturity (HTM)		
- Short term treasury bills	**29,638**	-
- Government bond	**9,540**	-
Total	**39,178**	-

15. Loans and advances to banks

Loans and advances to banks are broken down as follows:		
Loans and advances to banks	**536,700**	419,584
Accrued interest	**295**	-
Total	**536,995**	419,584

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

16. Financial assets at fair value through profit or loss

	2017	2016
Financial assets at fair value through profit or loss are broken down as follows:		
Currency swaps	**66,299**	-
Total	**66,299**	-

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

		Fair value	
	Nominal amount	**Assets**	**Liabilities**
Currency swaps	659,000	66,299	-
Total derivatives with third parties	**659,000**	**66,299**	-

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.

17. Loans and advances to customers

	2017	2016
Loans and advances to customers are broken down as follows:		
Loans and advances to customers (outstanding principal)	**2,477,152**	2,213,009
Accrued interest on loans and advances to customers	**42,220**	48,721
Deferred disbursement fees	**(18,952)**	(50,542)
Total amount outstanding	**2,500,420**	2,211,188
Allowance for impairment losses	**(320,068)**	(117,122)
Total net book value	**2,180,352**	2,094,066

The total outstanding principal amount can be split into the following industries:		
Trade	**2,145,294**	1,953,048
Services	**179,221**	130,533
Agriculture	**900**	256
Manufacturing	**107,686**	85,767
Transportation	**1,177**	6,667
Staff	**39,585**	35,215
Consumer	**-**	1,523
Other (Construction)	**3,289**	-
Total	**2,477,152**	2,213,009

The carrying amount of loans and advances that are past due but not impaired is LRD2,180,352 thousand (2016: LRD2,094,066 thousands).

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

17. Loans and advances to customers (continued)

	2017	2016
The allowance for impairment losses was comprised as follows:		
Collective impairment allowance	**(318,629)**	(117,122)
Specific impairment	**(1,439)**	-
Total	**(320,068)**	(117,122)

The allowance for impairment losses developed as follows:		
Beginning of the reporting period	**117,122**	82,528
Charge for the year	**169,115**	85,375
Currency translation	**43,092**	19,985
Recoveries during the year	**(9,261)**	(8,425)
Write-offs	**-**	(62,341)
End of reporting period	**320,068**	117,122

18. Property and equipment

The following tables show the composition and development of property and equipment:

Year ended December 31, 2017	Land and buildings	Furniture, fixtures, equipment	Motor vehicles	Computer equipment	Total
At January 1	344,244	158,311	29,553	77,094	**609,202**
Additions	14,718	16,646	12,664	5,282	**49,310**
Disposals	-	(4,919)	(8,938)	-	**(13,857)**
Translation difference	79,440	36,994	8,226	18,272	**142,932**
December 31	438,402	207,032	41,505	100,648	**787,587**
Accumulated depreciation					
At January 1	112,029	108,338	21,510	59,204	**301,081**
Charge for the year	27,804	16,842	7,753	7,261	**59,660**
Released on disposals	-	(4,919)	(8,938)	-	**(13,857)**
Translation difference	28,416	25,335	4,835	14,218	**72,804**
December 31	168,249	145,596	25,160	80,683	**419,688**
Net book value December 31	**270,153**	**61,436**	**16,345**	**19,965**	**367,899**

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

18. Property and equipment (continued)

Year ended December 31, 2016	Land and buil-dings	Furniture, fixtures, equipment	Motor vehicles	Computer equipment	Total
At January 1	266,981	127,815	31,782	64,190	490,768
Additions	31,428	11,633	4,130	2,481	49,672
Disposals	-	(2,427)	(10,622)	-	(13,049)
December 31	298,409	137,021	25,290	66,671	527,391
Translation difference	31,957	7,441	936	2,714	43,048
Accumulated depreciation					
At January 1	75,611	80,150	23,669	44,857	224,287
Charge for the year	22,540	16,766	5,136	6,637	51,079
Released on disposals	-	(2,427)	(10,622)	-	(13,049)
December 31	98,151	94,489	18,183	51,494	262,317
Net book value, December 31	232,215	49,973	8,043	17,891	308,122

Land and buildings have a fair value of LRD270,153 thousand (2016: LRD232,215thousand).

Profit on disposal

	2017	2016
Cost	**13,857**	13,049
Accumulated depreciation	**(13,857)**	(13,049)
Net book value	**-**	-
Proceeds from disposal	**(794)**	(1,075)
Profit on disposal	**(794)**	(1,075)

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

19. Intangible assets

	2017	2016
The following table show the development of intangible assets:		
myMBS banking software	**77,707**	69,873
Total	**77,707**	69,873
Licences, rights and other intangible assets		
Net book value, January 1	**69,873**	192,914
Additions	**40,166**	57,422
Currency translation differences	**71,269**	4,774
Amortization	**(103,601)**	(185,237)
Net book value, December 31	**77,707**	69,873

Licences, rights and other intangible assets include the banking license amount of LRD77,707 thousand (2016: LRD69,873 thousand) for which the Bank assessed indefinite useful lives as both assets carry no maturity, the Bank has no plans to sell or redeem these assets and as both assets have no abrasion.

20. Current income tax

2017	**At January 1**	**Charge/ adjustment for the year**	**Payments during the year**	**At December 1**
Year ended December 31				
Up to 2016	(13,681)	(15,300)	(5,948)	**(34,929)**
2017	-	4,711	(16,511)	**(11,800)**
	(13,681)	**(10,589)**	**(22,459)**	**(46,729)**
2016				
Year ended December 31				
Up to 2015	(39,731)	-	(4,455)	(44,186)
2016	-	44,837	(14,332)	30,505
	(39,731)	44,837	(18,787)	(13,681)

21. Deferred income tax assets

	2017	2016
The deferred tax assets are allocated as follows:		
Tax loss carried forward	**(29,858)**	(35,903)
Other temporary differences	**6,859**	6,045
Total	**(22,999)**	(29,858)

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

22. Other financial assets

	2017	2016
Other financial assets are distributed as follows:		
Sundry receivables	**4,661**	3,809
Clearing and miscellaneous accounts	**10,273**	12,740
Receivables against employees	**244**	15
Receivables from money transfer services	**57,695**	-
Other	**15,619**	15,900
Total	**88,492**	32,464

23. Other non-financial assets

Other non-financial assets are distributed as follows:		
Prepayments / advance payments	**120,560**	73,483
Inventory	**17,082**	13,662
Total	**137,642**	87,145

24. Loans from banks and other financial institutions

Loans from banks and other financial institutions	**647,825**	457,931
Accrued interest on loans from banks and other financial institutions	**3,234**	2,544
Exchange difference	**134,964**	27,431
Total	**786,023**	487,906

As at December 31, 2017, as a consequence of the deteriorating economic and financial situation in the Republic of Liberia, the Bank was in breach of one covenant with 3 lenders in the amount of LRD 648 million. The Bank's management had advanced discussions on waiver letters with its lenders of which all three provided partial or full waivers. Based on the feedback from its lenders, management of the Bank believes that the repayment of the loans will not be accelerated.

25. Customer accounts

	2017	2016
Total customer accounts are distributed as follows:		
Term deposit accounts	**509,316**	446,306
Savings accounts	**1,461,831**	1,160,490
Current accounts	**864,667**	513,146
Accrued interest on customer accounts	**16,340**	11,338
Pending client transfers	**11,427**	4,909
Total	**2,863,581**	2,136,189

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

26. Provisions

	2017	2016
Provisions are distributed as follows:		
Provision for untaken vacation	**1,588**	3,082
Total	**1,588**	3,082

Provision for untaken vacation		
At January 1	**3,082**	7,056
Amounts used	**(1,789)**	(7,865)
Addition	**-**	3,082
Currency translation	**295**	809
At December 31	**1,588**	3,082

27. Other financial liabilities

Other financial liabilities are distributed as follows:		
Liabilities for goods and services	**11,101**	9,692
Payables against group companies	**3,302**	-
Payables against LFS GmbH	**5,925**	17,242
Wages and salaries due, but not yet paid	**19,563**	22,455
Social security contributions payables	**4,302**	1,796
Accrued expenses	**14,057**	12,460
Total	**58,250**	63,645

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

28. Other non-financial liabilities

	2017	2016
Other non-financial liabilities are distributed as follows:		
Withholding tax payable	**24,750**	33,809
Total	**24,750**	33,809

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

29. Share capital

As at December 31 2017, the subscribed capital is LRD804,641 thousand which has been fully paid in by the shareholders of the Bank with the following shareholder structure:

	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%
Total	**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.

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

30. Financial instruments: classes

2017	**Carrying amount**	**Impair-ment**	**Fair value**	**Fair value hierarchy**
Cash and cash equivalents	1,582,058	-	1,582,058	Level 2
Investment securities	39,178	-	39,178	Level 2
Loans and advances to banks	536,995	-	536,995	Level 2
Financial assets at fair value through	66,299	-	66,299	Level 3
Loans and advances to customers	2,500,420	(320,068)	2,180,352	Level 3
Other financial assets	88,492	-	88,492	Level 2
Loans from banks and other financial	786,023	-	786,023	Level 2
Customer accounts	2,863,581	-	2,863,581	Level 2
Other financial liabilities	58,250	-	58,250	Level 2

2016	Carrying amount	Impair-ment	Fair value	Fair value hierarchy
Cash and cash equivalents	807,507	-	807,507	Level 2
Loans and advances to banks and other financial institutions	419,584	-	419,584	Level 2
Loans and advances to customers	2,211,188	(117,122)	2,094,066	Level 3
Other financial assets	32,464	-	32,464	Level 2
Loans from banks and other financial	487,906	-	487,906	Level 2
Customer accounts	2,136,189	-	2,136,189	Level 2
Other financial liabilities	63,645	-	63,645	Level 2

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. 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.

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

30. Financial instruments: classes (continued)

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.

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 p&l are carried at fair value in the consolidated financial statements.

31. 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.

32. Contingent liabilities and commitments

The following table shows the composition of total future minimum lease payments under non-cancellable operating leases.

Operating lease commitments	**2017**	2016
no later than one year	**4,381**	7,345
later than one year and no later than five years	**270,153**	42,499
later than five years	**8,445**	13,999
Total	**282,979**	63,843

The Bank has several operating lease contracts for which future lease payments are contingent on USD or LRD or local inflation rates. The Bank has renewal options for all operating lease contracts for which the renewal is either solely at the discretion of the Bank or jointly with the respective lessor.

33. 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 regulators of the banking markets where the Bank operates; 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.

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

33. Capital Management (continued)

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with Central Bank of Liberia regulations, a minimum ratio of 10% is to be maintained for Banks. However the Bank's Capital adequacy ratio as at December 31, 2017 was 48% as compared to 43% reported as at December 31, 2016, which was well above the regulatory limit.

2017		**2017**		2016	
Assets	**Weights**	**Amount**	**Value**	Amount	Value
Cash on hand	0%	**214,964**	**-**	317,169	-
Central bank accounts	0%	**1,367,094**	**-**	490,338	-
Short term treasury bills	0%	**29,638**	**-**	-	-
Government bond	0%	**9,540**	**-**	-	-
Loans and advances to banks	20%	**537,290**	**107,458**	419,584	83,917
Loans and advances to customers	100%	**2,180,352**	**2,180,352**	2,094,066	2,094,066
Property and equipment	100%	**367,899**	**367,899**	308,122	308,122
Intangibles assets	100%	**77,707**	**77,707**	69,873	69,873
Other financial assets	100%	**88,492**	**88,492**	32,464	32,464
Other non-financial assets	100%	**137,642**	**137,642**	87,145	87,145
Total risk weighted assets gross		**5,010,618**	**2,959,550**	3,818,761	2,675,587
1ST TIER CAPITAL					
Share capital			**804,641**		804,641
Statutory reserves			**49,934**		45,947
Translation reserves			**631,437**		372,895
Retained earnings			**(73,854)**		(85,813)
Total qualifying capital			**1,412,158**		1,137,670
Capital adequacy ratio			**48%**		43%

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

34. Risk Management

Management of individual risks

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. In our case, credit risk arises mainly from customer credit exposures and to a lesser extent from interbank or other short-term placements. As more than 61.5%% 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 and a rather deficient legal system. Moreover, our typical borrowers (especially in the micro loan segment) often do not possess significant assets that could be pledged as collateral. Having operated for more than 9 years in the Republic of Liberia, the Bank has developed an approach to lending under these conditions that has allowed us to preserve a good portfolio quality over many years.

The core principle of this technology 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.
One common feature in the Republic of Liberia is that official information concerning the economic situation of the micro and small borrowers is incomplete and often not reliable. 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)

34. Risk Management (continued)

Management of individual risks (continued)

Credit Risk (continued)
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 MIS system 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 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 17.62% as of 31 December 2017 (4.9% in 2016). 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 231,913 thousand (9.36%) at the end of 2017 (LRD125,120 thousand / 5.5% in 2016).

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.

	PAR>30		**PAR>90**		**Risk Coverage Ratio**
Outstanding Portfolio		**%**		**%**	**%**
2,477,152	**372,345**	**15.03%**	**315,117**	**12.72%**	**53.02%**

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

34. Risk Management (continued)

Management of individual risks (continued)

Credit Risk (continued)
As of December 31, 2016 the quality of the loan portfolio is as follows:

	PAR>30		PAR>90		Risk Coverage Ratio
Outstanding Portfolio		%		%	%
2,213,009	110,495	4.99%	65,247	2.95%	106%

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

Credit quality by class of financial assets

2017	**Neither past due nor impaired**	**Total**
Balances with central banks	**1,367,094**	**1,367,094**
Short term treasury bills	**29,638**	**29,638**
Government bond	**9,540**	**9,540**
Loans and advances to banks	**536,995**	**536,995**
Loans and advances to customers	**2,180,352**	**2,180,352**
Other financial assets	**88,492**	**88,492**
Total	**4,212,111**	**4,212,111**

2016	Neither past due nor impaired	Total
Balances with central banks	490,338	490,338
Loans and advances to banks	419,584	419,584
Loans and advances to customers	2,094,066	2,094,066
Other financial assets	32,464	32,464
Total	3,036,452	3,036,452

Portfolio concentration
Portfolio concentration arises when the banks have 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.

	2017			2016	
Outstanding Portfolio	**Amount**	**%**	Outstanding Portfolio	Amount	%
2,477,152	**115,854**	**4.68%**	2,213,009	80,065	3.62%

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

34. Risk Management (continued)

Management of individual risks (continued)

Credit Risk (continued)
The maximum exposure to credit risk for loans and advances to customers at the end of the reporting period equal the total amount outstanding in note 16.

The total amount of collateral held as security for loans and advances to customers was split as follows:

	2017	2016
Real estate	**1,227,068**	1,042,822
Vehicles	**203,434**	158,579
Inventories	**714,202**	714,363
Cash collateral	**332,032**	293,603
Total	**2,476,736**	2,209,367

The Bank additionally held substantive amounts of inventory, guarantees and equipment as collateral. The fair values of these items cannot be reliably measured.

Non-business loans consist of staff loans and make up less than 1.6% of the total portfolio.

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. No OCP are being held for speculative purposes. In some cases loans to customers are extended in LRD 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 as at December 31, 2017 and effect of a 15% change in the balances.

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

34. Risk Management (continued)

Management of individual risks (continued)

Currency risk (continued)

December 2017	USD balances expressed in Liberian dollars equivalent		
		>15%	**<15%**
Financial assets			
Cash and cash equivalents	613,050	91,958	(91,958)
Loans and advances to banks	532,245	79,837	(79,837)
Financial assets at fair value through profit/(loss)	66,299	9,945	(9,945)
Loans and advances to customers	1,205,530	180,830	(180,830)
Other financial assets	72,873	10,931	(10,931)
	2,489,997	**373,501**	**(373,501)**
Financial liabilities			
Loans from banks and other financial institutions	786,023	117,903	(117,903)
Customer accounts	1,671,311	250,697	(250,697)
Other financial liabilities	53,202	7,980	(7,980)
	2,510,536	**376,580**	**(376,580)**
Equity	**1,412,158**	**211,824**	**(211,824)**
Net impact		**(214,903)**	**214,903**

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

34. Risk Management (continued)

Management of individual risks (continued)

Currency risk (continued)

December 2016		USD balances expressed in Liberian dollars equivalent	
		>15%	<15%
Financial assets			
Cash and cash equivalents	440,599	66,090	(66,090)
Loans and advances to banks	419,196	62,879	(62,879)
Loans and advances to customers	1,710,802	256,620	(256,620)
Other financial assets	16,320	2,448	(2,448)
	2,586,917	388,037	(388,037)
Financial liabilities			
Loans from banks and other financial institutions	487,906	73,186	(73,186)
Customer accounts	1,286,550	192,983	(192,983)
Other financial liabilities	55,712	8,357	(8,357)
	1,830,168	274,526	(274,526)
Equity	1,137,670	170,651	(170,651)
Net impact		(57,140)	57,140

Liquidity risk

Liquidity risk is the danger that a 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 30.1% (2016: 57.25%) 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. As described above, portfolio quality has been very good historically, warranting a very strong cash flow to the Bank.

The main sources of refinancing are borrowings from financial institutions (15.3% of total assets; in 2016: 10.9%), customer deposits (55.1%; in 2016: 55.3%) and a high share of equity (29.2%; in 2016: 29.5%). Borrowings are predominantly medium-long term and from either development finance institutions (including shareholders) or specialised microfinance investment vehicles.

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

34. Risk Management (continued)

Management of individual risks (continued)

Liquidity risk (continued)
As a result, the Bank has a strong liquidity position. 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**	
2017	2016	**2017**	2016
43.2%	31.8%	**77.7%**	57.4%

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.

2017			2016		
Total Deposits	**Amount**	**%**	Total Deposits	Amount	%
2,863,581	**405,520**	**14.2%**	2,136,189	98,889	4.6%

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

34. Risk Management (continued)

Management of individual risks (continued)

Liquidity risk (continued)

As of December 31, 2017 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/liabilities
Assets							
Cash and cash equivalents	1,582,057		-	-	-	**1,582,057**	**1,582,057**
Investment securities	-	29,638	9,540	-	-	**39,178**	**39,178**
Loans and advances to banks	-	536,995		-	-	**536,995**	**536,995**
Financial assets at fair value through profit or loss	-	66,299	-	-	-	**66,299**	**66,299**
Loans and advances to customers	2,091,404	33,498	46,315	8,783	352	**2,180,352**	**2,180,352**
Other financial assets	88,492	-	-	-	-	**88,492**	**88,492**
Total financial assets	3,761,953	666,430	55,855	8,783	352	**4,493,373**	**4,493,373**
Liabilities							
Loans from banks and other financial institutions	-	-	408,137	190,265	277,048	**875,450**	**786,023**
Customer accounts	2,373,028	219,130	223,427	111,713	-	**2,927,298**	**2,863,581**
Other financial liabilities	29,460	28,790	-	-	-	**58,250**	**58,250**
Total financial liabilities	2,402,488	247,920	631,564	301,978	277,048	**3,860,998**	**3,707,854**
Net liquidity gap	1,359,465	418,510	(575,709)	(293,195)	(276,696)	**632,375**	**785,519**
Cumulated liquidity gap	1,359,465	1,777,975	1,202,266	909,071	632,375		

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

34. Risk Management (continued)

Management of individual risks (continued)

Liquidity risk (continued)

As of December 31, 2016 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/liabilities
Assets							
Cash and cash equivalents	807,507	-	-	-	-	807,507	807,507
Loans and advances to banks	419,584	-	-	-	-	419,584	419,584
Loans and advances to customers	48,641	89,813	1,322,642	616,579	16,391	2,094,066	2,094,066
Other financial assets	32,464	-	-	-	-	32,464	32,464
Total financial assets	1,308,196	89,813	1,322,642	616,579	16,391	3,353,621	3,353,621
Liabilities							
Loans from banks and other financial institutions	57,920	3,619	-	340,680	110,908	513,127	487,906
Customer accounts	1,717,022	57,201	175,285	234,200	3,141	2,186,849	2,136,189
Other financial liabilities	63,645	-	-	-	-	63,645	63,645
Total financial liabilities	1,838,587	60,820	175,285	574,880	114,049	2,763,621	2,687,740
Net liquidity gap	(530,391)	28,993	1,147,357	41,699	(97,658)	590,000	665,881
Cumulated Liquidity gap	(530,391)	(501,398)	645,959	687,658	590,000		

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.

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

34. Risk Management (continued)

Management of individual risks (continued)

Interest rate risk
Interest rate risk is the danger that our 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 assets and liabilities as a result of changes in interest rates.

December 2017		**Sensitivity**	
	Interest amount	**>2%**	**<2%**
Financial assets			
Held to maturity	1,060	21	(21)
Loans and advances to banks	4,178	84	(84)
Loans and advances to customers	901,096	18,022	(18,022)
	906,334	**18,127**	**(18,127)**
Financial liabilities			
Loans from banks and other financial institutions	48,368	(967)	967
Customer accounts	47,522	(950)	950
Financial liabilities at fair value through profit/(loss)	34,782	(696)	696
Other financial liabilities	232	(5)	5
	130,904	**(2,618)**	**2,618**
Impact on post tax profit			**11,632**

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

34. Risk Management (continued)

Management of individual risks (continued)

Interest rate risk (continued)

December 2016		Sensitivity	
	Interest amount	>2%	<2%
Financial assets			
Loans and advances to banks	1,139	23	(23)
Loans and advances to customers	885,386	17,708	(17,708)
	886,525	17,731	(17,731)
Financial liabilities			
Loans from banks and other financial institutions	10,265	(205)	205
Customer accounts	41,990	(840)	840
Other financial liabilities	-	-	-
	52,255	(1,045)	1,045
Impact on post tax profit			12,514

An interest rate shock of +/-2% across all interest-bearing assets and liabilities would result in a post tax profit of LRD11,632 thousand (2016: 12,514LRD thousand).

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

34. Risk Management (continued)

Management of individual risks (continued)

Compliance risks

Compliance risks in the Bank arise from national standards as well as international conventions. Anti-money laundering and anti-terrorist financing procedures are an important focus area. The Bank has adopted detailed procedures for managing both issues, which are centred on a strict KYC (Know Your Client) policy and which serve to protect the customers and the laws of Liberia. The procedures have been prepared in accordance with other international recommendations.

These and other compliance risks are managed by the relevant departments of the Bank, including the finance, treasury, operations and legal department.

Organisation of the risk management function

Overall responsibility for risk management lies with the executive management of the Bank, which reports to the supervisory board and audit committee. Specific risks are monitored by special committees on management level (and in some cases supervisory board) – this includes ALCO, risk committee, credit committee and IT committee. These committees meet on a regular basis and record their findings and decisions.

On an operational level, the Bank has established risk management units or departments that monitor and manage risks and make recommendations regarding policies, procedures and risk limits.

Regular meetings and training events support the exchange of best practices and the development and enhancement of the risk management function.

Internal Audit

Having an independent Internal Audit Function (IAF) is a vital part of the corporate governance framework of the Bank. In order to provide for its independence, the IAF reports functionally to the Audit Committee as a Sub-Committee of the Supervisory Board and administratively to the Chief Executive Officer (CEO) of the Bank.

The IAF operates independently in carrying out its duties and is free to initiate any investigation at any time as and when deemed appropriate. The activities of the IAF are governed by a charter that clearly outlines its role, responsibilities and scope of work and guarantees the standing and authority of the Internal Audit Function within the Bank.

In order to maintain its objectivity, the IAF is not involved in any day-to-day banking operations and control procedures. Instead, each business unit is responsible for its own internal control activities and for monitoring effectiveness and efficiency of its operations.

The IAF uses a risk-based approach both in determining its annual audit plan as well as in identifying audit priorities for individual audit assignments. In carrying out its duties, the IAF is guided by the

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

34. Risk Management (continued)

Management of individual risks (continued)

Internal Audit (continued)

International Standards for the Professional Practice of Internal Auditing, which are issued by the Institute of Internal Auditors.

The scope of work of the IAF is to determine whether the system of risk management, internal control and governance processes, as designed and implemented by the management, is adequate and functioning properly in the Bank. This mainly covers:

- Reviewing the functionality, effectiveness and adequacy of the risk management activities of the Bank,
- Reviewing the major systems of internal control in all areas of the Bank and assessing its adequacy, effectiveness and efficiency,
- Reviewing the procedures established by the management to determine and ensure compliance with all plans, policies, procedures, laws and regulations that could have a significant impact on objectives, operations and reports/financial information.

Therefore, the IAF is authorized to have unrestricted access to all functions, records, property and personnel needed to carry out its duties.

Internal audit functions of the Bank continued with further development and improvement of audit practices by emphasizing risk and process based audit methodologies. Overall, 15 audit assignments have been completed throughout the year out of 21 planned.

35. Events after the reporting period

There are no events after the reporting period that requires disclosure or adjustment in the financial statements.

36. Related-party transactions

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	Purchases of goods and services	Amounts owed to related parties
2017	144,876	9,226
2016	57,997	17,342

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

36. Related-party transactions (continued)

LFS GmbH

(i) LFS Financial Systems GmbH, Berlin, Germany, is a shareholder of AccessHolding and is a related party under the terms of IAS 24. 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.

(ii) Loans were disbursed to members of the management board as follows:

Name	Amount Disbursed	Transactional Currency	Disbursed Date	Maturity Date	Principal Balance	Status
Dogba K. Norris, Sr.	612	USD	11/17/2016	2/27/2018	57	Current
Vezele K. Gbogie	1,224	USD	10/27/2016	12/27/2018	783	Current
Total	1,836				840	

As at 2017 the Bank had outstanding loans/deposits with key management personnel in the amount of LRD 840 thousand (2016: LRD 1,718 thousand).

37. 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 lower than the CBL prudential regulation by LRD62 million

IFRS vs CBL impairment December 2017 USD portfolio

CBL classification		**IFRS**	**CBL**
Satisfactory	(2%)	11,764	21,823
Standard	(15%)	6,382	4,340
Sub standard	(40%)	13,746	14,437
Doubtful	(90%)	23,489	47,372
Bad	(100%)	191,777	219,723
Total impairment amount		**247,158**	**307,695**

IFRS vs CBL impairment December 2017 LRD portfolio

CBL classification		**IFRS**	**CBL**
Satisfactory	(2%)	14,491	18,774
Standard	(15%)	10,028	4,939
Sub standard	(40%)	10,274	8,454
Doubtful	(90%)	6,382	8,836
Bad	(100%)	31,735	32,940
Total impairment amount		**72,910**	**73,943**
Grand total		**320,068**	**381,638**
Net impact			**61,570**

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

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

Sensitivity of CBL impairment loss provision on earnings and equity

	2017	Net impact of CBL impactment	Impact
Net income	15,946	(61,570)	(45,624)
Equity	1,412,158	(61,570)	1,350,588

38. Management Board

The management board comprises of the following members:

Name	Position	Organization
Jonas Nyaye	Managing Director/CEO	LFS Financial System
Sergii Blyzniuk	Credit Manager	AccessBank
Dogba K. Norris, Snr.	Chief Finance Officer	AccessBank
Vezele K. Gbogie	Operations Manager	AccessBank

SUPPLEMENTARY IN USD FOLLOWS

STATEMENT OF FINANCIAL POSITION

(All amounts in thousands of USD)

	Note	**2017**	2016
ASSETS			
Cash and cash equivalents	11	**12,638**	7,917
Investment securities			
- Held to maturity	12	**313**	-
Loans and advances to banks	13	**4,290**	4,114
Financial assets at fair value through profit or loss	14	**530**	-
Loans and advances to customers	15	**17,436**	20,530
Property and equipment	16	**2,939**	3,021
Intangible assets	17	**621**	685
Current income tax asset	18	**373**	134
Deferred income tax asset	19	**184**	293
Other financial assets	20	**706**	318
Other non-financial assets	21	**1,100**	854
Total assets		**41,130**	37,866
LIABILITIES			
Loans from banks and other financial institutions	22	**6,279**	4,783
Customer accounts	23	**22,876**	20,943
Provisions	24	**13**	30
Other financial liabilities	25	**465**	624
Other non-financial liabilities	26	**198**	332
Total liabilities		**29,831**	26,712
EQUITY			
Share capital	27	**11,992**	11,992
Statutory reserve		**508**	472
Retained earnings		**(1,201)**	(1,310)
Total equity		**11,299**	11,154
Total liabilities and equity		**41,130**	37,866

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in thousands of USD)

	Note	2017	2016
Interest income	1	**8,144**	9,402
Interest expense	2	**(1,155)**	(550)
Net interest income before allowance of impairment losses on interest-bearing assets		**6,989**	8,852
Impairment charge for loan losses	3	**(1,428)**	(806)
Net interest income		**5,561**	8,046
Fee and commission income	4	**1,396**	949
Fee and commission expense	4	**(15)**	(12)
Net result from foreign exchange trading	5	**(652)**	4
Net result from financial instruments at fair value through profit and loss	6	**530**	-
Net other operating expenses	7	**(13)**	(73)
Net operating income		**6,807**	8,914
Personnel expense	8	**(2,942)**	(3,426)
Operating lease expenses	9	**(172)**	(186)
Depreciation and amortization expenses	9	**(971)**	(1,139)
Other administrative expenses	9	**(2,606)**	(2,327)
Profit before income tax		**116**	1,836
Income tax (credit)/expense	10	**29**	(580)
Profit or loss for the year		**145**	1,256
Other comprehensive income		**-**	-
Total comprehensive income		**145**	1,256

STATEMENT OF CASH FLOW
(All amounts in thousands of USD)

	Note	**2017**	2016
Profit or loss before tax		**116**	1,836
Adjustments for non-cash items:			
Measurement gains and losses financial assets at fair value through profit or loss	14	**(530)**	
Impairment charge for loan losses		**1,511**	806
Unrealised (gain)/loss from currency translation	5	**(636)**	(4)
Depreciation and amortization expense	9	**971**	1,139
Profit from disposal of property, plant and equipment	16	**(7)**	(7)
Interest income	1	**(8,144)**	(9,402)
Interest expense	2	**1,155**	550
		(5,564)	(5,082)
Changes in working capital			
Loans and advances to customers		**1,907**	(4,907)
Other financial assets		**(389)**	(87)
Other non-financial assets		**(245)**	501
Investment securities		**(313)**	-
Loans from banks and other financial institutions		**1,418**	3,740
Customers accounts		**1,913**	29
Other liabilities		**(292)**	359
Provisions		**(18)**	(50)
Cash generated from/(used in) operations		**(1,583)**	(5,497)
Interest received		**7,919**	8,796
Income tax paid		**(155)**	(148)
Interest paid		**(1,058)**	(505)
Net cash inflow from operating activities		**5,123**	2,646
Purchase of property, plant and equipment		**(444)**	(540)
Purchase of intangible assets		**(321)**	(555)
Sale of property, plant and equipment		**7**	12
Net cash outflow from investing activities		**(758)**	(1,083)
Net increase in cash and cash equivalent		**4,365**	1,663
Cash and cash equivalents at January 1		**12,031**	10,468
Effects of exchange rate changes		**532**	(100)
Cash and cash equivalents, end of year		**16,928**	12,031

STATEMENT OF CHANGES IN EQUITY

(All amounts in thousands of USD)

	Share capital	**Statutory reserve**	**Retained Earnings**	**Total equity**
Carry forward as at January 1 2017	11,992	472	(1,310)	11,154
Profit or loss for the period	-	-	145	145
Total comprehensive income	**-**	**-**	**145**	**145**
Transfers to statutory reserve	-	36	(36)	-
Balance as at December 31 2017	11,992	**508**	**(1,201)**	**11,299**

For the year ended December 31 2016

	Share capital	Legal reserve	Retained Earnings	Total equity
Carry forward as at January 1 2016	11,992	158	(2,252)	9,898
Profit or loss for the period	-	-	1,256	1,256
Total comprehensive income	-	-	1,256	1,256
Transfers to statutory reserve	-	314	(314)	-
Balance as at December 31 2016	11,992	472	(1,310)	11,154

NOTES
(All amounts are in thousands of US Dollars)

1. Interest Income

	2017	2016
Interest income is broken down as follows:		
Interest income from loans and advances to customers	**6,896**	8,053
Interest income from balances with banks	**37**	12
Disbursement fee income	**1,074**	1,180
Interest income from held to maturity	**9**	-
Penalty interest	**128**	157
Total	**8,144**	9,402

2. Interest expense

Interest expense is broken down as follows:		
Interest expense on loans from banks and other financial institutions	**454**	106
Interest expense on term deposits	**208**	190
Interest expense on financial instruments at fair value through profit or loss	**278**	-
Interest expense on savings accounts	**213**	254
Other interest expense	**2**	-
Total	**1,155**	550

3. Impairment charges for loan losses

The impairment charges are broken down as follows:		
Collective impairment allowance	**1,499**	896
Specific impairment charges for individually impaired loans	**12**	-
	1,511	896
Income from recovery of written-off loans	**(83)**	(90)
Total	**1,428**	806

NOTES (continued)
(All amounts are in thousands of US Dollars)

4. Net fee and commission income

	2017	2016
Net fee and commission income is broken down as follows:		
Fee and commission income from cash transactions	**39**	38
Fee and commission income from account maintenance	**694**	563
Fee and commission income from international money transfers	**199**	155
Fee and commission income on cheques	**12**	10
Other account service fees	**107**	81
Fees from dormant accounts	**306**	89
Fees from trade finance and national guarantees	**12**	10
Other fee and commission income from customers	**27**	3
Total fee and commission income	**1,396**	949
Fee and commission expense on nostro accounts	**9**	2
Fee and commission expense for international money transfers	**6**	10
Total fee and commission expense	**15**	12
Net fee and commission income	**1,381**	937

5. Net result from foreign exchange trading

Gains/(losses) from foreign exchange operations with customers	**(16)**	29
Gains/(losses) from currency revaluations	**(636)**	(25)
Total	**(652)**	4

6. Net result from financial instruments at fair value through profit and loss

	2017	2016
Gains from revaluation of AFV instruments	**530**	-
Net result	**530**	-

7. Net other operating expense

Net other operating expense is broken down as follows:		
Profit on the disposal of property, plant and equipment	**7**	12
Income from litigations	**-**	28
Income from reimbursement of expenses	**6**	29
Other operating income	**23**	27
Total	**36**	96
Other operating expenses	**(49)**	(169)
Net result	**(13)**	(73)

NOTES (continued)
(All amounts are in thousands of US Dollars)

8. Personnel expenses

	2017	2016
The breakdown of personnel expenses is as follows:		
Salary expenses	**2,752**	3,192
Social security expenses	**128**	146
Other personnel expenses	**62**	88
Total	**2,942**	3,426

9. Other operating expenses

The breakdown of other operating expenses is as follows:

Operating lease expenses	**172**	186
Depreciation and amortization expenses	**971**	1,139
Other administrative expenses		
Consulting fees LFS	**1,157**	625
Communication expenses	**118**	99
Transport expenses	**40**	37
Travel expenses	**85**	149
IT expenses	**30**	10
Utilities and electricity expenses	**211**	200
Printing and office supplies	**195**	221
Security service expenses	**234**	239
Marketing, advertising and entertainment	**81**	38
Repair and maintenance	**103**	100
Audit fees	**55**	47
Legal and advisory expenses	**59**	80
Insurance expenses	**58**	53
Non-profit tax expenses	**34**	-
Training expenses	**46**	21
Other service expenses	**25**	-
Board expenses	**17**	11
Others	**58**	397
Total – other administrative expenses	**2,606**	2,327

10. Income tax expense

The breakdown of income tax expenses is as follows:

Current income tax (credit)/expense (note 17)	**(84)**	464
Deferred income tax expense (note 18)	**55**	116
Total	**(29)**	580

NOTES (continued)
(All amounts are in thousands of US Dollars)

11. Cash and cash equivalents

	2017	2016
Cash and cash equivalents were comprised as follows:		
Cash on hand	**1,717**	3,110
Central bank accounts	**10,921**	4,807
Total	**12,638**	7,917
Loans and advances to banks (< 90 days)	**4,290**	4,114
Cash and cash equivalents in the Cash Flow Statement	**16,928**	12,031

12. Investment securities

Held to maturity (HTM)		
- Short term treasury bills	**237**	-
- Government bond	**76**	-
Total	**313**	-

13. Loans and advances to banks

Loans and advances to banks are broken down as follows:		
Loans and advances to banks	**4,288**	4,114
Accrued interest	**2**	-
Total	**4,290**	4,114

14. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are broken down as follows:		
Currency swaps	**530**	-
Total	**530**	-

15. Loans and advances to customers

Loans and advances to customers are broken down as follows:		
Loans and advances to customers (outstanding principal)	**19,789**	21,696
Accrued interest on loans and advances to customers	**355**	478
Deferred disbursement fees	**(151)**	(496)
Total amount outstanding	**19,993**	21,678
Allowance for impairment losses	**(2,557)**	(1,148)
Total net book value	**17,436**	20,530

NOTES (continued)

(All amounts are in thousands of US Dollars)

15. Loans and advances to customer (continued)

The total outstanding principal amount can be split into the following industries:

	2017	2016
Trade	**16,867**	19,148
Services	**1,709**	1,280
Agriculture	**-**	3
Manufacturing	**886**	841
Transportation	**9**	65
Staff	**318**	345
Consumer	-	14
Total	**19,789**	21,696

The carrying amount of loans and advances that are past due but not impaired is USD17,399 thousand (2016: USD20,510 thousands).

The allowance for impairment losses was comprised as follows:		
Collective impairment allowance	**(2,546)**	(1,148)
Specific impairment	**(11)**	-
Total	**(2,557)**	(1,148)

The allowance for impairment losses developed as follows:		
Beginning of the reporting period	**1,148**	938
Charge for the year	**1,511**	896
Currency translation	**(94)**	(32)
Recoveries during the year	**(8)**	(90)
Write-offs	**-**	(564)
End of reporting period	**2,557**	1,148

NOTES (continued)

(All amounts are in thousands of US Dollars)

16. Property and equipment

2017	**Land and buildings**	**Furniture, fixtures, equipment**	**Motor vehicles**	**Computer equipment**	**Total**
At January 1	3,375	1,552	288	758	**5,973**
Additions	127	149	119	49	**444**
Disposals	-	(47)	(78)	-	**(125)**
December 31	3,502	1,654	329	807	**6,292**
Accumulated depreciation					
At January 1	1,098	1,062	211	581	**2,952**
Charge for the year	246	148	68	64	**526**
Disposals	-	(47)	(78)	-	**(125)**
December 31	1,344	1,163	201	645	**3,353**
Net book value					
December 31	**2,158**	**491**	**128**	**162**	**2,939**

2016	Land and buildings	Furniture, fixtures, equipment	Motor vehicles	Computer equipment	Total
At January 1	3,034	1,452	361	730	5,577
Additions	341	126	45	28	540
Disposals	-	(26)	(118)	-	(144)
December 31	3,375	1,552	288	758	5,973
Accumulated depreciation					
At January 1	859	911	269	510	2,549
Charge for the year	239	177	55	71	542
Disposals	-	(26)	(113)	-	(139)
December 31	1,098	1,062	211	581	2,952
Net book value					
December 31	2,277	490	77	177	3,021

Profit on disposal

	2017	2016
Cost	**125**	144
Accumulated depreciation	**(125)**	(139)
Net book value	**-**	5
Proceeds from disposal	**(7)**	(12)
Profit on disposal	**(7)**	(7)

NOTES (continued)

(All amounts are in thousands of US Dollars)

17. Intangible assets

	2017	2016
The following table show the development of intangible assets:		
myMBS banking software	**621**	685
Total	**621**	685

Licenses, rights and other intangible assets		
Net book value, January 1	**685**	1,891
Additions	**321**	563
Currency translation differences	**569**	-
Amortization	**(954)**	(1,769)
Net book value, December 31	**621**	685

18. Current income tax

	At January 1	**Charge/ adjustment during the year**	**Payments during the year**	**At December 31**
Year ended December 31, 2017				
Up to 2016	(134)	(122)	(48)	**(304)**
2017	-	38	(107)	**(69)**
	(134)	**(84)**	**(155)**	**(373)**
Year ended December 31, 2016				
Up to 2015	(451)	-	-	(451)
2016	-	465	(148)	317
	(451)	465	(148)	(134)

19. Deferred income tax assets

	2017	2016
The deferred tax assets are allocated as follows:		
Tax loss carried forward	**(293)**	(408)
Other temporary differences	**109**	115
Total	**(184)**	(293)

20. Other financial assets

Other financial assets are distributed as follows:

Sundry receivables	**37**	37
Clearing and miscellaneous accounts	**82**	125
Receivables against employees	**2**	-
Receivable from money transfer services	**461**	-
Others	**124**	156
Total	**706**	318

NOTES (continued)
(All amounts are in thousands of US Dollars)

21. Other non-financial assets

	2017	2016
Other non-financial assets are distributed as follows:		
Prepayments / advance payments	**964**	720
Inventory	**136**	134
Total	**1,100**	854

22. Loans from banks and other financial institutions

Loans from banks and other financial institutions	**6,158**	4,754
Accrued interest on loans from banks and other financial institutions	**121**	29
Total	**6,279**	4,783

23. Customer accounts

Total customer accounts are distributed as follows:		
Term deposit accounts	**4,069**	4,376
Savings accounts	**11,678**	11,377
Current accounts	**6,907**	5,031
Accrued interest on customer accounts	**131**	111
Pending client transfers	**91**	48
Total	**22,876**	20,943

24. Provisions

Provisions are distributed as follows:		
Provision for untaken vacation	**13**	30
Total	**13**	30

Provision for untaken vacation

Opening balance	**30**	**22**
Amounts used	**(17)**	**(22)**
Additions	**-**	**30**
Closing balance	**13**	**30**

NOTES (continued)
(All amounts are in thousands of US Dollars)

25. Other financial liabilities

	2017	2016
Other financial liabilities are distributed as follows:		
Liabilities for goods and services	**89**	94
Payables against group companies	**26**	-
Payables against LFS GmbH	**47**	170
Wages and salaries due, but not yet paid	**156**	220
Social security contributions payables	**34**	18
Accrued expenses	**113**	122
Total	**465**	624

26. Other non-financial liabilities

Other non-financial liabilities are distributed as follows:

Withholding tax payable	**198**	331
Total	**198**	331

27. Share capital

As at December 31 2017 the subscribed capital is USD11,992 thousand which has been fully paid in by the shareholders of the Bank with the following shareholder structure:

	2017			2016		
	Number of shares	**Amount**	**%**	Number of shares	Amount	%
Access Microfinance Holding AG	**6,552**	**6,552**	**55%**	6,552	6,552	55%
International Finance Corporation	**2,231**	**2,231**	**19%**	2,231	2,231	19%
European Investment Bank	**1,500**	**1,500**	**12%**	1,500	1,500	12%
African Development Bank	**1,709**	**1,709**	**14%**	1,709	1,709	14%
Total	**11,992**	**11,992**	**100%**	11,992	11,992	100%

NOTES (continued)
(All amounts are in thousands of US Dollars)

28. Financial instruments: classes

2017	**Carrying amount**	**Impair-ment**	**Fair value**	**Fair value hierarchy**
Cash and cash equivalents	12,638	-	12,638	Level 2
Held to maturity	313	-	313	Level 2
Loans and advances to banks	4,290	-	4,290	Level 2
Financial assets at fair value through	530	-	530	Level 2
Loans and advances to customers	19,993	(2,557)	17,436	Level 3
Other financial assets	707	-	707	Level 2
Loans from banks and other financial	6,279	-	6,279	Level 2
Customer accounts	22,876	-	22,876	Level 2
Other financial liabilities	465	-	465	Level 2

2016	Carrying amount	Impair-ment	Fair value	Fair value hierarchy
Cash and cash equivalents	7,917	-	7,917	Level 2
Loans and advances to banks and other financial institutions	4,114	-	4,114	Level 2
Loans and advances to customers	21,678	(1,148)	20,530	Level 3
Other financial assets	318	-	318	Level 2
Loans from banks and other financial	20,943	-	20,943	Level 2
Customer accounts	624	-	624	Level 2
Other financial liabilities	7,917	-	7,917	Level 2