LIBERIA • THE MICROFINANCE BANK

ACCESSBANK LIBERIA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Contents

CORPORATE INFORMATION

Directors	Mr. Bernd Zattler	Chairman
	Mr. Kyle Lackner	Director
	Mr. Geegbae A. Geegbae	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	
Company Secretary	Ms. Gidu Johnson – (Appointed on April 20, 2018)	

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended December 31, 2018.

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 Bank 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 a table showing the details of the Board committees.

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

REPORT OF THE DIRECTORS (continued)

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.

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. The financial statements of the Bank for the financial year 2018 will be approved for issue by the Board of Directors on November 20, 2019. 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 30 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 November 20, 2019.

By Order of the Board

Name of director: [illegible] **Signature:**

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

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF ACCESSBANK LIBERIA LIMITED

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, 2018, 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, 2018.

The financial statements on pages 7 to 66 comprise:

- the statement of financial position as at December 31, 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

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.

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

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF ACCESSBANK LIBERIA LIMITED

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 Oseini Amui

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants
Monrovia, Liberia
November 28, 2019

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STATEMENT OF FINANCIAL POSITION

(All amounts in thousands of Liberian Dollars)

		At December 31	
		2018	2017
Assets	Note		
Cash and cash equivalents	14	**1,540,450**	1,582,058
Investment securities at amortized cost			
- Hold-to-collect	15	**100,000**	39,178
Loans and advances to banks	16	**897,781**	536,995
Financial assets at fair value through profit and loss	17	**152,405**	66,290
Loans and advances to customers	18	**2,818,464**	2,180,352
Other financial assets	23	**111,818**	88,402
Other non-financial assets	24	**123,593**	137,642
Property and equipment	19	**473,530**	367,899
Intangible assets	20	**49,384**	77,707
Current income tax asset	21	**46,600**	46,729
Deferred income tax asset	22	**205,821**	22,999
Total assets		**6,519,846**	5,146,350
Liabilities			
Loans from banks and other financial institutions	25	**1,512,325**	786,023
Customer accounts	26	**3,447,468**	2,863,581
Provisions	27	**2,794**	1,588
Other financial liabilities	28	**76,207**	58,250
Other non-financial liabilities	29	**36,407**	24,750
Total liabilities		**5,075,201**	3,734,192
Equity			
Share capital	30	**804,641**	804,641
Statutory reserve		**49,934**	49,934
Translation reserve		**982,178**	631,437
Retained earnings		**(392,108)**	(73,854)
Total equity		**1,444,645**	1,412,158
Total liabilities and equity		**6,519,846**	5,146,350

The accompanying notes on pages 11 to 66 form an integral part of these financial statements.

The financial statements on pages 7 to 66 were approved by the Board of Directors on November 20, 2019 and signed on its behalf by:

Name of director: Bernd Zattler **Signature:** 21.11.2019

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

STATEMENT OF COMPREHENSIVE INCOME

(All amounts in thousands of Liberian Dollars)

	Note	Year ended December 31 2018	2017
Interest income	4	**1,002,236**	906,334
Interest expense	5	**(190,621)**	(130,904)
Net interest income before allowance of impairment losses on interest-bearing assets		**811,615**	775,430
Impairment charge on financial assets	6	**(331,228)**	(159,854)
Net interest income		**480,387**	615,576
Fee and commission income	7	**192,974**	158,846
Fee and commission expense	7	**(3,276)**	(1,609)
Net loss on foreign exchange trading	8	**(182,284)**	(73,121)
Gain on financial instruments at fair value through profit and loss	9	**117,443**	66,299
Net other operating expenses	10	**(4,410)**	(2,095)
Net operating income		**600,834**	763,896
Personnel expenses	11	**(413,258)**	(329,043)
Operating lease expenses		**(21,578)**	(19,407)
Depreciation and amortization		**(128,298)**	(109,489)
Other administrative expenses	12	**(484,271)**	(293,741)
(Loss)/profit before income tax		**(446,571)**	12,216
Income tax credit	13	**156,182**	3,730
(Loss)/profit for the year		**(290,389)**	15,946
Other comprehensive income		**-**	-
Total comprehensive income		**(290,389)**	15,946

The accompanying notes on pages 11 to 66 form an integral part of these financial statements.

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

	Note	Issued capital	Statutory reserve	Retained Earnings	Translation reserve	Total equity
Year ended December 31, 2018						
At January 1, 2018		804,641	49,934	(73,854)	631,437	**1,412,158**
ncrease in impairment provisioning on initial application of IFRS 9	2.2	-	-	(27,865)	-	**(27,865)**
		804,641	49,934	(101,719)	631,437	**1,384,293**
Loss for the year		-	-	(290,389)	-	**(290,389)**
Exchange difference on translation		-	-	-	350,741	**350,741**
@Total comprehensive income		-	-	**(392,108)**	**982,178**	**1,444,645**
Transfers to statutory reserve		-	-	-	-	-
At December 31, 2018		**804,641**	**49,934**	**(392,108)**	**982,178**	**1,444,645**
Year ended December 31, 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	38	-	3,987	(3,987)	-	-
At December 31, 2017		804,641	49,934	(73,854)	631,437	1,412,158

The accompanying notes on pages 11 to 66 form an integral part of these financial statements.

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

	Note	Year ended December 31 2018	2017
(Loss) / profit before income tax		**(446,571)**	12,216
Adjustments for non-cash items:			
Gains and losses financial assets at fair value through profit or loss	9	**(117,443)**	(66,299)
Impairment charge on financial assets	6	**346,158**	169,115
Unrealized loss/(gain) from currency translation	8	**184,029**	71,383
Depreciation and amortization	12	**128,298**	109,489
Profit from disposal of property, plant and equipment	19	**(522)**	(794)
Interest income	4	**(1,002,236)**	(906,334)
Interest expense	5	**190,621**	130,904
		(717,666)	(480,320)
Changes in working capital			
Loans and advances to customers		**(789,258)**	(264,143)
Loans and advances to banks (>90 days)		**(489,645)**	-
Other financial assets		**(309,284)**	(56,028)
Other non-financial assets		**14,049**	(50,496)
Investment securities		**(60,822)**	(39,178)
Loans from banks and other financial institutions		**726,302**	287,415
Customers' accounts		**583,887**	722,390
Other liabilities		**29,614**	(14,453)
Provisions		**1,206**	(1,494)
Cash (used in)/generated from operations		**(1,011,617)**	103,693
Interest received		**973,719**	880,950
Income tax paid	21	**(26,511)**	(22,459)
Interest paid		**(168,557)**	(115,200)
Net cash (outflow)/ inflow from operating activities		**(232,966)**	846,984
Cash flow from investment activities			
Purchase of property, plant and equipment	19	**(96,287)**	(49,310)
Purchase of intangible assets		-	(40,166)
Proceed from disposal of property, plant and equipment	19	**522**	794
Net cash outflow from investing activities		**(95,765)**	(88,682)
Net (decrease)/increase in cash and cash equivalents		**(328,731)**	758,302
Cash and cash equivalents at January 1		**2,119,053**	1,227,091
Effects on changes in foreign exchange rate		**158,264**	133,660
Cash and cash equivalents at December 31	14	**1,948,586**	2,119,053

The accompanying notes on pages 11 to 66 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, incorporated in Germany. The principal activities of the Bank, as a commercial microfinance bank, is providing financial services to micro, small and medium sized enterprises in form of working capital and loans. The financial statements for the year ended December 31, 2018 were authorized for issue by the Bank's board of directors on October 21, 2019.

2. Accounting policies

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

2.1 Basis of preparation and measurement

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

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretation Committee (IFRIC) interpretations and in the manner required by the New Financial Institutions Act (FIA) of 1999 and the Registered Business Company Law (2002).

Functional and presentation currency

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

2.2. Change in accounting policies and accounting estimates

New standards, amendments and interpretations adopted by the Bank

The following amendments and International Financial Reporting Interpretation Committee (IFRIC) interpretations were adopted by the Bank for the first time for the financial year beginning on or after 1 January 2018 and have an impact on the Bank's financial statements.

IFRS 9 – Financial Instruments

The Bank has adopted IFRS 9 which resulted in changes in accounting policies and adjustments to the amounts previously recognized in the financial statements. The Bank did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognized in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

NOTES (Continued)

2. Accounting policies (continued)

2.2. Change in accounting policies and accounting estimates (continued)

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

IFRS 9 – Financial Instruments (continued)

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Bank. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 2.4(b).

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

	IAS 39		IFRS 9	
Relevant asset/liability	**Measurement category**	**Carrying amount**	**Measurement category**	**Carrying amount**
Cash and cash equivalents	Amortized cost (Loans and receivables)	1,582,058	Amortized cost (Hold to collect)	1,582,058
Loans and advances to banks	Amortized cost (Loans and receivables)	536,995	Amortized cost (Hold to collect)	536,995
Loans and advances to customers	Amortized cost (Loans and receivables)	2,180,352	Amortized cost (Hold to collect)	2,152,487
Financial assets	Fair value through P&L (Available for sale)	66,299	Fair value through P&L (Hold to collect and sell)	66,299
Other financial assets	Amortized cost (Loans and receivables)	88,492	Amortized cost (Hold to collect)	88,492
Loans from banks and other financial institutions	Financial liabilities - other	786,023	Financial liabilities - other	786,023
Other financial liabilities	Financial liabilities - other	58,250	Financial liabilities - other	58,250

There were no changes to the classification or measurement of financial liabilities. They remained classified as financial liabilities "Other" and measured at amortized cost.

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

2. Accounting policies (continued)

2.2. Change in accounting policies and accounting estimates (continued)

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

IFRS 9 – Financial Instruments (continued)

Reclassification from retired categories with no change in measurement

As indicated above, some financial assets have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were "retired" with no changes to their measurement basis. They include those previously classified as held to maturity and loans and receivables and measured at amortized cost.

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Bank performed a detailed analysis of its business models for managing financial assets and analysis of cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Financial assets	IAS 39 Carrying amount December 31 2017	Re-measure ments	IFRS 9 Carrying amount January 1 2018
Cash and cash equivalents – Amortized cost			
Closing balance under IAS 39 and opening balance under IFRS 9	1,582,058	-	1,582,058
Financial assets – Fair value through profit and loss			
Closing balance under IAS 39 and opening balance under IFRS 9	66,299	-	66,299
Investment securities – Amortized cost			
Closing balance under IAS 39 and opening balance under IFRS 9	39,178	-	39,178
Loans and advances to banks – Amortized cost			
Closing balance under IAS 39 and opening balance under IFRS 9	536,995	-	536,995
Loans and advances to customers – Amortized cost			
Closing balance under IAS 39	2,180,352		
Remeasurement: Expected Credit Loss (ECL) allowance		(27,865)	
Opening balance under IFRS 9			2,152,487
Other financial assets – Amortized cost			
Closing balance under IAS 39 and opening balance under IFRS 9	88,492	-	88,492
Total financial assets	**4,493,374**	**(27,865)**	**4,465,509**

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

2. Accounting policies (continued)

2.2. Change in accounting policies and accounting estimates (continued)

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

IFRS 9 – Financial Instruments (continued)

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

Financial liabilities	IAS 39 Carrying amount December 31 2017	Re-measurements	IFRS 9 Carrying amount January 1 2018
Loans from banks and other financial institutions – Financial liabilities - other			
Closing balance under IAS 39 and opening balance under IFRS 9	786,023	-	786,023
Other financial liabilities – Financial liabilities - other			
Closing balance under IAS 39 and opening balance under IFRS 9	58,250	-	58,250
Total liabilities	**844,273**	-	**844,273**

There are no reclassifications of financial instruments upon the adoption of IFRS 9.

The total remeasurement loss of LRD 27,865 thousand was recognized in opening reserves at 1 January 2018.

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Measurement category	Loss allowance under IAS 39	Measurement	Loss allowance under IFRS 9
Loans and advances to customers	320,068	27,865	347,933

NOTES (Continued)

2. Accounting policies (continued)

2.2. Change in accounting policies and accounting estimates (continued)

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

IFRS 15 - Revenue from contracts with customers

The Bank has adopted IFRS 15 - Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. There was no material effect on revenue recognized by the Bank on the adoption of IFRS 15. Consequently, no adjustment was passed on adoption of IFRS 15.

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" was issued on 8 December 2017. 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 1 January 2018. Earlier application is permitted. The interpretation did not have any impact on the Bank´s financial statements.

Standards issued 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, if applicable, when they become effective.

IFRS 16 Leases

IFRS 16 "Leases" was issued in January 2017 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

IFRS 16 will affect primarily the accounting for leases and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and require recognition of an asset (right to use leased item) and a financial liability to pay rentals for virtually all lease payments.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Bank plans to adopt IFRS 16 retrospectively with the cumulative effect of initially applying IFRS 16 recognized at the date of initial application. The Bank will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Bank will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

NOTES (Continued)

2. Accounting policies (continued)

2.2. Change in accounting policies and accounting estimates (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Amendments to IFRS 9 Prepayment Features with Negative Compensation were issued on 12 October 2018. The amendments change the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost or, depending on the business model, at fair value through other comprehensive income, even in the case of negative compensation payments. The amendments also clarify that an entity recognizes any adjustment to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted. The amendments are not expected to have any significant impact on the Bank's financial statements.

IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 "Uncertainty over Income Tax Treatments" was issued on 7 June 2018 and 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 1 January 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. Entity shall apply the new standards, amendments to existing standards and interpretations for annual periods beginning on or after the effective date. In principle, the financial statements have been prepared under the historical cost convention, unless IFRS require recognition and measurement at fair value. Reporting and valuation are undertaken on the assumption that the Bank will continue to operate. All estimates and assumptions required for reporting and valuation in conformity with IFRS are best estimates undertaken in accordance with the applicable standards.

2.3. Significant accounting judgements, estimates and assumptions

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

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.

NOTES (Continued)

2. Accounting policies (continued)

2.3 Significant accounting judgements, estimates and assumptions (continued)

Critical estimates and assumptions (continued)

(i) Measurement of expected credit loss allowance

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

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

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

Refer to note 35 for further details on these estimates and judgements.

(ii) Fair value of financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include model inputs such as extrapolated interest rate curves and forward rates. The valuation of financial instruments is described in more detail in note 31.

(iii) Income taxes

The Bank recognizes deferred income tax assets only to the extent that it is probable that taxable profits will be available against which the tax-reducing effects can be utilized. Judgement is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits. The profit projection is based on the latest business plan as of December 2018 and therefore reflects management's best estimate on future taxable profits.

Other accounting judgements, estimates and assumptions applied as at 31 December 2017

Impairment of loans and advances to customers and banks

The Bank regularly reviewed 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 made 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 included observable data indicating that there had 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.

NOTES (Continued)

2. Accounting policies (continued)

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

Critical estimates and assumptions (continued)

Other accounting judgements, estimates and assumptions applied as at 31 December 2017 (continued)

Impairment of loans and advances to customers and banks (continued)

The Bank used 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 were reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2.4. 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 recognized in 'Net result from foreign exchange operations' in the profit or loss.

The following exchange rates were applied in these financial statements.

1 USD equals	Abbreviation	12.31.2018	12.31.2017
Liberian Dollar	LRD	156.74	125.18

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

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

b) Financial instruments

Initial recognition and measurement

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

NOTES (Continued)

2. Accounting policies (continued)

2.4. Summary of significant accounting policies (continued)

b) *Financial instruments*

Initial recognition and measurement (continued)

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognized for financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income, which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognizes the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.

(b) In all other cases, the differences is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

(i) Financial assets

Classification and subsequent measurement

From 1 January 2018, the Bank has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortized cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

- the Bank's business model for managing the asset; and
- the cash flow characteristics of the asset.

NOTES (Continued)

2. Accounting policies (continued)

2.4. Summary of significant accounting policies (continued)

b) *Financial instruments (continued)*

(i) Financial assets (continued)

Classification and subsequent measurement (continued)

Debt instruments (continued)

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

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

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'other operating income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

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

NOTES (Continued)

2. Accounting policies (continued)

2.4. Summary of significant accounting policies (continued)

b) Financial instruments (continued)

(i) Financial assets (continued)

Classification and subsequent measurement (continued)

Debt instruments (continued)

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

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

Equity instruments

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

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Bank's right to receive payments is established.

Impairment

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

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

NOTES (Continued)

2. Accounting policies (continued)

2.4. Summary of significant accounting policies (continued)

b) Financial instruments (continued)

(i) Financial assets (continued)

Derecognition due to substantial modification of terms and conditions

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

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

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

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

Derecognition other than for substantial modification

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

Accounting policies applied until 31 December 2017

The Bank has applied IFRS 9 prospectively and has not restated the comparative information. The comparative information provided continues to be accounted for in accordance with the Bank's previous accounting policy. A financial asset or financial liability was measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that were directly attributable to its acquisition or issue.

(i) Date of recognition

All financial assets and liabilities are initially recognized 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.

NOTES (Continued)

2. Accounting policies (continued)

2.4. Summary of significant accounting policies (continued)

b) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(ii) Initial measurement of financial instruments (continued)
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. Management determines the categorization of its financial instruments at initial recognition.

(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 recognized 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 recognizes 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 recognized in the profit or loss when the inputs become observable, or when the instrument is derecognized.

(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.

NOTES (Continued)

2. Accounting policies (continued)

2.4. Summary of significant accounting policies (continued)

b) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(v) Financial assets available-for-sale (continued)

Unrealized gains and losses are recognized directly in equity ('Other comprehensive income') in the 'Available-for-sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized 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 recognized in the profit or loss as 'Net other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized 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 amortized cost using the effective interest rate, less allowance for impairment losses. Amortized 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 amortization is included in 'Interest income' in the profit or loss. The losses arising from impairment are recognized 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 amortized cost using the effective interest rate. Amortized 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.

NOTES (Continued)

2. Accounting policies (continued)

2.4. Summary of significant accounting policies (continued)

b) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

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

(viii) Derecognition of financial assets
A financial asset is derecognized 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:

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 recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes 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.

(ix) 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. Accounting policies (continued)

2.4. Summary of significant accounting policies (continued)

b) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(ix) Impairment of financial assets (continued)

Financial assets carried at amortized cost

For financial assets carried at Amortized 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, recognized 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 recognized 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 realized 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 recognized, the previously recognized 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.

NOTES (Continued)

2. Accounting policies (continued)

2.4. Summary of significant accounting policies (continued)

b) Financial instruments (continued)

(i) Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

(ix) Impairment of financial assets (continued)

Financial assets carried at amortized cost (continued)

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.

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 amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized 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 recognized in the profit or loss, the impairment loss is reversed through the profit or loss.

(x) 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.

(xi) 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.

NOTES (Continued)

2. Accounting policies (continued)

2.4. Summary of significant accounting policies (continued)

b) Financial instruments (continued)

(ii) Financial liabilities

Classification

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

Measurement

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

Derecognition

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

The accounting policies for financial liabilities have not changed on the adoption of IFRS 9.

(iii) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities quoted on stock exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry bank, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

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

(iv) Write-offs

The Bank's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Bank has met conditions spelt out in its write off policy. Written-off cases are still pursued fo recovery by the Bank. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

NOTES (Continued)

2. **Accounting policies (continued)**

2.4. Summary of significant accounting policies (continued)

b) Financial instruments (continued)

(v) Forborne and modified loans

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

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

From 1 January 2018, when the loan has been renegotiated or modified but not derecognized, the Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 6-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

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

(vi) Collateral and other credit enhancements

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

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

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

NOTES (Continued)

2. Accounting policies (continued)

2.4. Summary of significant accounting policies (continued)

b) *Financial instruments (continued)*

(vi) Collateral and other credit enhancements (continued)

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

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

The principal collateral types for loans and advances are:

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

Longer-term lending facilities to corporate entities are generally secured.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured. Derivatives are also collateralised.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the entity since the prior period.

A portion of the Bank's financial assets originated by the mortgage business has sufficiently low 'loan to value' (LTV) ratios, which results in no loss allowance being recognized in accordance with the Bank's expected credit loss model.

c) *Offsetting financial instruments*

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

d) *Loan related fees*

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

NOTES (Continued)

2. Accounting policies (continued)

2.4. Summary of significant accounting policies (continued)

d) Loan related fees (continued)

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

e) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and balances with banks with less than three months' original maturity. Cash at hand is recognized with its nominal value. Balances with banks are carried at amortized cost in the Statement of Financial Position.

f) Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

g) Intangible assets

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

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

• Core banking software	5 years
• Computer software	2 years

NOTES (Continued)

2. Accounting policies (continued)

2.4. Summary of significant accounting policies (continued)

h) Depreciation and impairment of non-financial assets

The assets' residual carrying values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the profit or loss.

i) Current and deferred income tax

The Bank is subject to income taxes in Liberia. Significant judgement is required in determining the provisions for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The tax expense for the period comprises current and deferred income tax.

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

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

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets including carry-forward tax-losses are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences, tax credits or unused tax losses can be utilized.

NOTES (Continued)

2. Accounting policies (continued)

2.4. Summary of significant accounting policies (continued)

j) Other financial assets, other financial liabilities

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

k) 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 recognized in the financial statements (within 'Other financial liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

l) Provisions

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

3. Effect of transition to IFRS 9

The measurement category and the carrying amounts of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 can be found in note 2.2.

4. Interest income

	2018	2017
Interest income from loans and advances to customers	**841,760**	770,177
Interest income from balances with banks	**15,631**	4,178
Disbursement fee income	**125,012**	116,945
Interest income from held to maturity	**9,148**	1,060
Penalty interest	**10,685**	13,974
	1,002,236	906,334

5. Interest expense

Interest expense on loans from banks and other financial institutions	**67,871**	48,368
Interest expense on term deposits	**28,117**	23,545
Interest expense on financial instruments at fair value through P&L	**55,722**	34,782
Interest expense on savings accounts	**28,070**	23,977
Other interest expense	**10,841**	232
	190,621	130,904

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

6. Impairment charge on financial assets

	2018	2017
Impairment for loan losses:		
Impairment allowance – Stage 1 and Stage 2	**98,056**	167,676
Impairment allowance – Stage 3	**4,544**	1,439
Gross impairment for loan losses	**102,600**	169,115
Income from recovery of previously written-off loans	**(14,930)**	(9,261)
Net impairment for loan losses	**87,670**	159,854
Impairment on other financial assets	**243,558**	-
	331,228	159,854

7. Net fee and commission income

	2018	2017
Fee and commission income from cash transactions	-	4,413
Fee and commission income from account maintenance	**88,026**	78,370
Fee and commission income from international money transfers	**7,560**	22,430
Fee and commission income on cheques	**2,341**	1,288
Other account service fees	**20,606**	12,231
Fees from dormant accounts	**50,219**	35,665
Fees from trade finance and national guarantees	**1,325**	1,287
Other fee and commission income from customers	**22,897**	3,162
Fee and commission income	**192,974**	158,846
Fee and commission expense on nostro accounts	**(3,276)**	(1,050)
Fee and commission expense for international money transfers	-	(559)
Fee and commission expense	**(3,276)**	(1,609)
Net fee and commission income	**189,698**	157,237

8. Net loss on foreign exchange trading

	2018	2017
Gains/(losses) from foreign exchange operations with customers	**1,745**	(1,738)
Losses from currency revaluations	**(184,029)**	(71,383)
	(182,284)	(73,121)

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

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

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

	2018	2017
Gains on financial instruments at fair value through profit and loss	**117,443**	66,299
	117,443	66,299

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

10. Net other operating expenses

	2018	2017
Other operating expenses	**7,569**	5,668
Profit on disposal of property, plant and equipment (note 19)	**(522)**	(794)
Income from reimbursement of expenses	**(1,985)**	(327)
Other operating income	**(652)**	(2,452)
	4,410	2,095

11. Personnel expenses

Salary expenses	**385,406**	307,524
Social security expenses	**21,261**	14,485
Other personnel expenses	**6,591**	7,034
	413,258	329,043

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

12. Other operating expenses

	2018	2017
Consulting fees LFS GmBH	35,641	129,671
Communication expenses	24,224	13,610
Transport expenses	5,886	4,503
Travel expenses	10,869	9,429
IT expenses	9,401	3,406
Utilities and electricity expenses	32,609	23,782
Royalties and maintenances fees	56,268	-
Printing and office supplies	49,629	22,083
Security service expenses	32,632	26,427
Marketing, advertising and entertainment	7,851	9,333
Repair and maintenance	12,848	11,675
Audit fees	9,525	6,264
Legal and advisory expenses	8,490	6,744
Insurance expenses	11,058	6,574
Non-profit tax expenses	29,682	3,685
Training expenses	3,473	5,338
Other service expenses	3,903	2,815
Board expenses	993	2,004
Expenses for central services from Access Microfinance Holding AG	112,809	-
Others	26,480	6,398
	484,271	293,741

13. Income tax credit

Current income tax charge/ (credit) (note 21)	26,640	(10,589)
Deferred income tax (credit)/charge (note 22)	(182,822)	6,859
	(156,182)	(3,730)

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

	2018	2017
(Loss)/profit before income tax	(446,571)	12,216
Income tax rate of	25%	25%
	(111,643)	3,054
Tax effects		
Effect of non-tax allowable expenses	1,746	8,516
Effects of adjustments from prior periods	-	(15,300)
Other tax effects	(46,285)	-
Income tax credit	(156,182)	(3,730)

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

13. Income tax credit (continued)

The various tax effects explain the differences between the expected income tax (credit)/expense of LRD(111,643) thousand (2017: LRD 3,054 thousand) on the basis of the enacted income tax rate and the actual income tax (credit)/expense of LRD156,182 thousand (2017: LRD3,730 thousand).

14. Cash and cash equivalents

	2018	2017
Cash on hand	351,896	214,964
Central bank accounts	1,188,554	1,367,094
Cash and bank balances	1,540,450	1,582,058
Loans and advances to banks (< 90 days)	408,136	536,995
Cash and cash equivalents in the statement of cash flows	1,948,586	2,119,053

15. Investment securities

At amortized cost		
- Short term treasury bills	-	29,638
- Government bond	100,000	9,540
	100,000	39,178

Investment securities are held-to-collect investments.

16. Loans and advances to banks

Loans and advances to banks	887,163	536,700
Accrued interest	10,618	295
	897,781	536,995

17. Financial assets at fair value through profit or loss

Currency swaps	152,405	66,299

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

	Nominal amount	Net Amount	Fair value Assets	Fair value Liabilities
At December 31, 2018				
Currency swaps	735,000	152,405	941,058	(788,653)
At December 31, 2017				
Currency swaps	659,000	66,299	751,080	(684,781)

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

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

18. Loans and advances to customers

	2018	2017
Loans and advances to customers	3,231,394	2,477,152
Accrued interest on loans and advances to customers	60,414	42,220
Deferred disbursement fees	(26,403)	(18,952)
Gross loans and advances	3,265,405	2,500,420
Allowance for impairment losses	(446,941)	(320,068)
	2,818,464	2,180,352

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

	2018	2017
Trade	2,628,350	2,145,294
Services	339,154	179,221
Agriculture	3,585	900
Manufacturing	180,883	107,686
Transportation	26,433	1,177
Staff	29,741	39,585
Other	23,248	3,289
	3,231,394	2,477,152

The carrying amount of loans and advances that are past due but not impaired is LRD2,818,464 thousand (2017: LRD2,180,352 thousands).

	2018	2017
The allowance for impairment losses was comprised as follows:		
Stage 1 (12-month ECL)	(112,261)	-
Stage 2 (lifetime ECL not credit impaired)	(15,696)	-
Stage 3 (lifetime ECL credit impaired)	(318,984)	-
Specific impairment allowance	-	(1,429)
Collective impairment allowance	-	(318,629)
	(446,941)	(320,068)

The allowance for impairment losses were as follows:		
At January 1	320,068	117,122
Opening IFRS 9 adjustment	27,865	-
Charge for the year	102,600	169,115
Currency translation	89,230	43,092
Recoveries during the year	(14,930)	(9,261)
Write-offs	(77,892)	-
At December 31	446,941	320,068

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

19. Property and equipment

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

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

19. Property and equipment (continued)

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

Profit on disposal of property and equipment

	2018	2017
Cost	4,296	13,857
Accumulated depreciation	(4,296)	(13,857)
Net book value	-	-
Proceeds from disposal	(522)	(794)
Profit on disposal	(522)	(794)

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

20. Intangible assets

	2018	2017
myMBS banking software	49,384	77,707
Net book value at January 1	77,707	69,873
Additions	-	40,166
Currency translation differences	16,015	71,269
Amortization	(44,338)	(103,601)
Net book value at December 31	49,384	77,707

21. Current income tax

	At January 1	Charge/ adjustment for the year	Payments during the year	At December 31
Year of assessment				
Up to 2017	(46,729)	-	(5,662)	**(52,391)**
2018	-	26,640	(20,849)	**5,791**
	(46,729)	**26,640**	**(26,511)**	**(46,600)**
Year of assessment				
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)

22. Deferred income tax assets

	2018	2017
The deferred tax assets are attributed to the following:		
Tax loss carried forward	**(8,244)**	(29,858)
Property and equipment	**(62,680)**	-
Unrealized foreign exchange (losses)/gains	**(46,007)**	6,859
Provisions	**(61,192)**	-
Others	**(27,698)**	-
	(205,821)	(22,999)

	2018	2017
Movement in deferred income tax assets:		
At January 1	**(22,999)**	(29,858)
(Credit)/charge to profit or loss	**(182,822)**	6,859
At December 31	**(205,821)**	(22,999)

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

23. Other financial assets

	2018	2017
Sundry receivables	55,132	4,661
Clearing and miscellaneous accounts	187,240	68,292
Receivables against employees	1,644	244
Receivables against Group companies	58,059	-
Receivables from money transfer services	74,099	57,695
Other remittances	21,602	-
Gross other financial assets	397,776	130,892
Impairment allowance	(285,958)	(42,400)
Net other financial assets	111,818	88,492

24. Other non-financial assets

Prepayments	104,683	120,560
Inventory	18,910	17,082
	123,593	137,642

25. Loans from banks and other financial institutions

Loans from banks and other financial institutions	1,359,577	651,059
Exchange difference	152,748	134,964
	1,512,325	786,023

26. Customer accounts

	2018	2017
Term deposit accounts	725,479	509,316
Savings accounts	1,813,745	1,461,831
Current accounts	834,226	864,667
Accrued interest on customer accounts	29,833	16,340
Pending client transfers	44,185	11,427
	3,447,468	2,863,581

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

27. Provisions

	2018	2017
Provision for staff leave	2,794	1,588

Provision for staff leave		
At January 1	1,588	3,082
Amounts used	(1,562)	(1,789)
Addition	2,458	-
Currency translation	310	295
At December 31	2,794	1,588

28. Other financial liabilities

Liabilities for goods and services	11,201	11,101
Payables against group companies	13,106	3,302
Payables against LFS GmbH	-	5,925
Wages and salaries due, but not yet paid	27,396	19,563
Social security contributions payable	6,903	4,302
Accrued expenses	17,601	14,057
	76,207	58,250

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

29. Other non-financial liabilities

	2018	2017
Withholding tax payable	36,407	24,750

30. Share capital

As at December 31, 2018, the subscribed capital is LRD804,641 thousand which has been fully paid in by the shareholders of the Bank. The shareholder structure is as follows:

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

The shares are not grouped into classes, and there are no different rights, preferences and restrictions, including restrictions on the distribution of dividends and the repayment of capital.

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

31. Financial instruments:

	Carrying amount	Impair-ment	Fair value
At December 31, 2018			
Cash and cash equivalents	1,540,450	-	**1,540,450**
Investment securities	100,000	-	**100,000**
Loans and advances to banks	897,781	-	**897,781**
Financial assets at fair value through P&L	152,405	-	**152,405**
Loans and advances to customers	3,265,405	(446,941)	**2,818,464**
Other financial assets	397,776	(285,958)	**111,818**
Loans from banks & other financial institution	1,512,325	-	**1,512,325**
Customer accounts	3,447,468	-	**3,447,468**
Other financial liabilities	76,207	-	**76,207**
At December 31, 2017			
Cash and cash equivalents	1,582,058	-	1,582,058
Investment securities	39,178	-	39,178
Loans and advances to banks	536,995	-	536,995
Financial assets at fair value through P&L	66,299	-	66,299
Loans and advances to customers	2,500,420	(320,068)	2,180,352
Other financial assets	130,892	(42,400)	88,492
Loans from banks & other financial institution	786,023	-	786,023
Customer accounts	2,863,581	-	2,863,581
Other financial liabilities	58,250	-	58,250

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.

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

32. 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.

33. Contingent liabilities and commitments

(i) Operating lease commitments
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.

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

	2018	2017
no later than one year	18,387	4,381
later than one year and no later than five years	74,933	270,153
later than five years	62,048	8,445
	155,368	282,979

(ii) Claims and litigation
The Bank is defending legal actions brought by various persons for claims. Provision of LRD 51,410 thousand (2017: Nil) in relation to these claims has been recognized in the financial statements.

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

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

	2018	2017
Undrawn overdrafts	24,295	-
Guarantees	13,793	-
	38,088	-

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

34. Capital Management

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

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

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

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with Central Bank of Liberia regulations, a minimum ratio of 10% is to be maintained for Bank. The Bank's Capital adequacy ratio as at December 31, 2018 was 36% as compared to 48% reported as at December 31, 2017.

2018		2018		2017	
Assets	**Weights**	**Amount**	**Value**	Amount	Value
Cash on hand	0%	**351,896**	-	214,964	-
Central bank accounts	0%	**1,188,554**	-	1,367,094	-
Short term treasury bills	0%	-	-	29,638	-
Government bond	0%	**100,000**	-	9,540	-
Loans and advances to banks	20%	**897,780**	179,556	537,290	107,458
Loans and advances to customers	100%	**2,818,464**	**2,818,464**	2,180,352	2,180,352
Property and equipment	100%	**473,530**	**473,530**	367,899	367,899
Intangibles assets	100%	**49,384**	**49,384**	77,707	77,707
Other financial assets	100%	**111,818**	**111,818**	88,492	88,492
Other non-financial assets	100%	**123,593**	**123,593**	137,642	137,642
Total risk weighted assets gross		**6,115,019**	**3,756,345**	5,010,618	2,959,550
1ST TIER CAPITAL					
Share capital			804,641		804,641
Statutory reserves			49,934		49,934
Translation reserves			975,211		631,437
Retained earnings			(385,141)		(73,854)
Total qualifying capital			**1,444,645**		1,412,158
Capital adequacy ratio			**38%**		48%

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

35. Risk Management

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

a) Credit risk

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

As more than 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. Moreover, our typical borrowers (especially in the micro loan segment) often do not possess significant assets that could be pledged as collateral. In its experience, the Bank has developed an approach to lending that allows us to preserve a good portfolio quality over many years.

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

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

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

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

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

35. Risk Management (continued)

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

Based on our experience, we measure the level of credit risk mainly in the Portfolio at Risk (meaning the total outstanding exposure to parties that are in arrears with any part of their obligations) 1 and 30 days. Overall PAR 30 for the Bank was 14.70% as of 31 December 2018 (17.62% in 2017). 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 330,272 thousand (10.2%) at the end of 2018 (LRD 231,913 thousand / 9.36% in 2017).

Expected credit loss measurement

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

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

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

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

35. Risk Management (continued)

a) Credit risk (continued)

Expected credit loss measurement (continued)

Significant increase in credit risk (SICR)

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

Quantitative criteria:

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

Qualitative criteria

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

For Loan portfolios, if the borrower meets one or more of the following criteria:

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

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

35. Risk Management (continued)

a) *Credit risk (continued)*

Expected credit loss measurement (continued)

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Low Credit Risk Exemption

The Bank has not used the low credit risk exemption for any financial instruments in the period ended 31 December 2018.

Definition of default and credit-impaired assets

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

Quantitative criteria

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

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

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

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

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

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

35. Risk Management (continued)

a) Credit risk (continued)

Expected credit loss measurement (continued)

Definition of default and credit-impaired assets (continued)

Qualitative criteria (continued)

The 12mECL is the portion of lifetime-ECLs (LTECLs) that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

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

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

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

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

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

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

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

35. Risk Management (continued)

a) Credit risk (continued)

Expected credit loss measurement (continued)

Definition of default and credit-impaired assets (continued)

Qualitative criteria (continued)

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

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

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

The calculation of ECL

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

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD:The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- EAD:The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of
- principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

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

NOTES (Continued)

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

35. Risk Management (continued)

a) Credit risk (continued)

Expected credit loss measurement (continued)

The calculation of ECL (continued)

The mechanics of the ECL method are summarised below:

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

Forward looking information

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

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

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

The most significant period end assumptions used for the ECL estimate as at 31 December 2018 are set out below:

Scenario	Weight %	GDP Growth %	USD/LRD Exchange rate	Iron Ore Price %
Best Case	50	0.40%	141.07	53.24%
Worst Case	50	0.00%	172.41	10.00%

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

35. Risk Management (continued)

a) Credit risk (continued)

Expected credit loss measurement (continued)

Forward looking information (continued)

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

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

Grouping of instruments for losses measured on a collective basis

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

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

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

	PAR>30		PAR>90		Risk Coverage Ratio
Outstanding Portfolio		**%**		**%**	**%**
3,231,394	**474,913**	**14.70%**	**443,467**	**13.72%**	**56.04%**

As of December 31, 2017 the quality of the loan portfolio is as follows:

Outstanding Portfolio		%		%	%
2,477,152	372,345	15.03%	315,117	12.72%	53.02%

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

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

35. Risk Management (continued)

a) Credit risk (continued)

Credit quality by class of financial assets

At December 31, 2018	Stage 1	Stage 2	Stage 3	Total
Balances with central banks	1,188,554	-	-	1,188,554
Government bond	100,000	-	-	100,000
Loans and advances to banks	897,781	-	-	897,781
Loans and advances to customers	2,698,823	100,140	466,442	3,265,405
Other financial assets	111,818	-	285,958	**397,776**
Gross carrying amount	4,996,976	100,140	752,400	**5,849,516**
Loss allowance	(112,261)	(15,696)	(604,942)	**(732,899)**
Carrying amount	**4,884,715**	**84,444**	**147,458**	**5,116,617**

At December 31, 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

Portfolio concentration

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

2018			2017		
Outstanding Portfolio	**Amount**	**%**	Outstanding Portfolio	Amount	%
3,231,394	**171,264**	**5.30%**	2,477,152	115,854	4.68%

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

35. Risk Management (continued)

a) 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 18.

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

	2018	2017
Real estate	**2,263,767**	1,227,068
Vehicles	**133,850**	203,434
Inventories	**1,771,588**	714,202
Cash collateral	**521,002**	332,032
Total	**4,690,207**	2,476,736

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 1.5% of the total portfolio.

b) Liquidity risk

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

The Bank concentrates on lending to micro, small sized enterprises as well as individuals – the portfolio of such loans makes up nearly 30.6% (2017: 30.1%) of total assets. The portfolio is highly diversified to a large number of customers, and almost exclusively consists of instalment loans with monthly annuity repayments of interest and principal.

The main sources of refinancing are borrowings from financial institutions (22.2% of total assets; in 2017: 15.3%), customer deposits (50.7%; in 2017: 55.1%) and a high share of equity (21.2%; in 2017: 29.2%). 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)

35. Risk Management (continued)

b) Liquidity risk (continued)

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	
2018	2017	**2018**	2017
37.3%	43.2%	**88.1%**	72.7%

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.

2018			2017		
Total Deposits	**Amount**	**%**	Total Deposits	Amount	%
3,447,468	**213,336**	**6.19%**	2,863,581	405,520	14.2%

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

35. Risk Management (continued)

b) *Liquidity risk (continued)*

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

Maturity schedule	< 1 month	1 - 3 months	3 - 12 months	12 months to 2 years	2 to 5 years	Total contract-ual cash flows	Carrying amount
Assets							
Cash and cash equivalents	1,540,450	-	-	-	-	**1,540,450**	**1,540,450**
Investment securities	-	-	7,792	92,208	-	**100,000**	**100,000**
Loans and advances to banks	405,310	11,796	473,399	7,276	-	**897,781**	**897,781**
Financial assets at fair value through profit or loss	-	-	149,588	-	-	**149,588**	**152,4405**
Loans and advances to customers	312,931	94,761	1,487,287	923,485	-	**2,818,464**	**2,818,464**
Other financial assets	-	-	111,818	-	-	**111,818**	**111,818**
Total financial assets	2,258,691	106,556	2,229,884	1,022,969	-	**5,618,101**	**5,620,918**
Liabilities							
Loans from banks and other financial institutions	-	23,692	733,443	-	873,606	**1,630,741**	**1,512,325**
Customer accounts	2,784,469	96,102	397,858	174,954		**3,453,383**	**3,447,467**
Other financial liabilities	-	-	76,207	-		**76,207**	**76,207**
Total financial liabilities	2,784,469	119,794	1,207,508	174,954	873,606	**5,160,331**	**5,035,999**
Net liquidity gap	(525,778)	(13,238)	1,022,376	848,015	(873,606)	**457,769**	**584,919**
Cumulated liquidity gap	(525,778)	(539,016)	483,360	1,331,375	457,769		

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

35. Risk Management (continued)

b) 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							
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	-	61,133	-	-	-	61,133	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	661,264	55,855	8,783	352	4,488,207	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	117,693	-	2,933,278	2,863,581
Other financial liabilities	29,460	28,790	-	-	-	58,250	58,250
Total financial liabilities	2,402,488	247,920	631,564	307,958	277,048	3,866,978	3,707,854
Net liquidity gap	1,359,465	413,344	(575,709)	(299,175)	(276,696)	621,229	785,519
Cumulated liquidity gap	1,359,465	1,772,809	1,197,100	897,925	621,229		

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)

35. Risk Management (continued)

c) *Market risk*

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

i) *Interest rate risk*

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

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

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

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

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

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

35. Risk Management (continued)

c) *Market risk (continued)*

i) *Interest rate risk (continued)*

At December 31, 2017	Interest amount	Sensitivity >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

An interest rate shock of +/-2% across all interest-bearing assets and liabilities would result in a post tax profit of LRD1,558 thousand (2017: LRD11,632 thousand).

ii) *Currency risk*

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

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

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

35. Risk Management (continued)

c) *Market risk (continued)*

ii) Currency risk (continued)

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

At December 31, 2018	**USD balances expressed in Liberian dollars equivalent**		
		>15%	<15%
Financial assets			
Cash and cash equivalents	1,066,145	231,067	(231,067)
Loans and advances to banks	800,159	120,078	(120,078)
Financial assets at fair value through profit/(loss)	152,405	22,861	(22,861)
Loans and advances to customers	1,692,949	253,942	(253,942)
	3,711,658	**627,948**	**(627,948)**
Financial liabilities			
Loans from banks and other financial institutions	1,512,325	226,849	(226,849)
Customer accounts	2,034,172	305,126	(305,126)
Other financial liabilities	40,125	6,019	(6,019)
	3,586,622	**537,994**	**(537,994)**
Net impact on post tax profit		**67,466**	**(67,466)**

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

35. Risk Management (continued)

c) *Market risk (continued)*

Currency risk (continued)

At December 31, 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)
Net impact on post tax profit		(2,309)	2,309

36. Events after the reporting period

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

37. 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**
2018	**204,718**	**13,106**
2017	144,876	9,226

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

37. 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.

(ii) The purchase of goods and services relates to management and IT services fees from LFS.

(iii) No loans were disbursed to members of the management board during the year under review.

As at 2018 the Bank had no outstanding loans/deposits with key management personnel (2017: LRD 840 thousand).

Access Microfinance Holding AG	**Sales of goods and services**	**Amounts owed by related parties**
2018	**169,077**	**58,059**
2017	129,671	-

38. 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 LRD105 million (2017: LRD62 million).

At December 31, 2018
IFRS vs CBL impairment USD portfolio

CBL classification		**IFRS**	**CBL**
Satisfactory	(2%)	14,198	25,011
Standard	(15%)	52,937	3,920
Sub standard	(40%)	8,316	3,808
Doubtful	(90%)	16,697	27,451
Bad	(100%)	208,210	349,882
		300,358	**410,072**

IFRS vs CBL impairment LRD portfolio

CBL classification		**IFRS**	**CBL**
Satisfactory	(2%)	23,022	29,141
Standard	(15%)	30,997	6,559
Sub standard	(40%)	10,481	9,945
Doubtful	(90%)	16,728	20,123
Bad	(100%)	65,356	76,285
		146,584	**142,053**
Total impairment		**446,942**	**552,125**
Net impact			**105,183**

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

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

Sensitivity of CBL impairment loss provision on earnings and equity

	2018	Net impact of CBL impairment	Impact
Net loss	(290,389)	(105,183)	**(395,592)**
Equity	1,444,645	(105,183)	**1,339,462**

December 31, 2017
IFRS vs CBL impairment 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 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
		72,910	73,943
Total impairment		320,068	381,638
Net impact			61,570

Sensitivity of CBL impairment loss provision on earnings and equity

	2018	Net impact of CBL impairment	Impact
Net income	15,946	(61,570)	(45,624)
Equity	1,412,158	(61,570)	1,350,588

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

39. Reserves

Statutory reserves

Section 15(1a) of the Financial Institution Act of 1999 require the Bank to make an annual appropriation from profit for the year to statutory reserves. There was no transfer for the year ended December 31, 2018 as a result of the loss reported (2017: LRD 3,987 thousand).

Translation reserves

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

40. 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
Vezele K. Gbogie	Operations Manager	AccessBank
Eric Malm	Chief Information Officer	AccessBank

SUPPLEMENTARY DATA

AccessBank Liberia Limited
Supplementary data
For the year ended December 31, 2018

STATEMENT OF FINANCIAL POSITION
(All amounts are in thousands of United States Dollars)

	Note	2018	2017
ASSETS			
Cash and cash equivalents	11	**9,828**	12,638
Investment securities			
- Hold to collect	12	**638**	313
Loans and advances to banks	13	**5,728**	4,290
Financial assets at fair value through profit or loss	14	**972**	530
Loans and advances to customers	15	**17,982**	17,436
Other financial assets	20	**714**	706
Other non-financial assets	21	**789**	1,100
Property and equipment	16	**3,021**	2,939
Intangible assets	17	**315**	621
Current income tax asset	18	**372**	373
Deferred income tax asset	19	**1,313**	184
Total assets		**41,672**	41,130
LIABILITIES			
Loans from banks and other financial institutions	22	**9,648**	6,279
Customer accounts	23	**21,995**	22,876
Provisions	24	**18**	13
Other financial liabilities	25	**486**	465
Other non-financial liabilities	26	**232**	198
Total liabilities		**32,379**	29,831
EQUITY			
Share capital	27	**11,992**	11,992
Statutory reserve		**508**	508
Retained earnings		**(3,207)**	(1,201)
Total equity		**9,293**	11,299
Total liabilities and equity		**41,672**	41,130

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in thousands of United States Dollars)

	Note	2018	2017
Interest income	1	**6,994**	8,144
Interest expense	2	**(1,313)**	(1,155)
Net interest income before allowance of impairment losses on interest-bearing assets		**5,681**	6,989
Impairment on financial assets	3	**(2,207)**	(1,428)
Net interest income		**3,474**	5,561
Fee and commission income	4	**1,351**	1,396
Fee and commission expense	4	**(23)**	(15)
Net loss from foreign exchange trading	5	**(1,202)**	(652)
Gain on financial instruments at fair value through profit and loss	6	**798**	530
Net other operating expenses	7	**(28)**	(13)
Net operating income		**4,370**	6,807
Personnel expense	8	**(2,892)**	(2,942)
Operating lease expenses		**(150)**	(172)
Depreciation and amortization		**(921)**	(971)
Other administrative expenses	9	**(3,284)**	(2,606)
(Loss)/Profit before income tax		**(2,877)**	116
Income tax credit	10	**1,004**	29
(Loss)/Profit or loss for the year		(1,873)	145
Other comprehensive income		-	-
Total comprehensive income		(1,873)	145

AccessBank Liberia Limited
Supplementary data
For the year ended December 31, 2018

STATEMENT OF CASH FLOW

(All amounts are in thousands of United States Dollars)

	Note	2018	2017
(Loss) / profit before tax		**(2,877)**	116
Adjustments for non-cash items:			
Gains and losses financial assets at fair value through profit or loss	14	**(972)**	(530)
Impairment charge on financial assets	3	**2,318**	1,511
Unrealized gain from currency translation	5	**(1,216)**	(636)
Depreciation and amortization	9	**921**	971
Profit from disposal of property, plant and equipment	16	**(4)**	(7)
Interest income	1	**(6,994)**	(8,144)
Interest expense	2	**1,313**	1,155
		(7,511)	(5,564)
Changes in working capital			
Loans and advances to customers		**(370)**	1,907
Loans and advances to Banks (> 90 Days)		**(3,124)**	-
Other financial assets		**(1,562)**	(389)
Other non-financial assets		**311**	(245)
Investment securities		**(325)**	(313)
Loans from banks and other financial institutions		**3,369**	1,418
Customer accounts		**(881)**	1,913
Other liabilities		**55**	(292)
Provisions		**5**	(18)
Cash (used in)/generated from operations		**(10,033)**	(1,583)
Interest received		**6,785**	7,919
Income tax paid	18	**(169)**	(155)
Interest paid		**(1,175)**	(1,058)
Net cash (outflow)/inflow from operating activities		**(4,592)**	5,123
Purchase of property, plant and equipment	16	**(662)**	(444)
Purchase of intangible assets		**-**	(321)
Proceeds from disposal of property and equipment		**4**	7
Net cash outflow from investing activities		**(658)**	(758)
Net (decrease)/increase in cash and cash equivalent		**(5,250)**	4,365
Cash and cash equivalents at January 1		**16,928**	12,031
Effects of exchange rate changes		**754**	532
Cash and cash equivalents, end of year		**12,432**	16,928

STATEMENT OF CHANGES IN EQUITY
(All amounts are in thousands of United States Dollars)

Year ended December 31, 2018

	Share capital	**Statutory reserve**	**Retained Earnings**	**Total equity**
Carry forward as at January 1, 2018	11,992	508	(1,201)	**11,299**
Increase in impairment provisioning on initial application of IFRS 9	-	-	(133)	**(133)**
Loss for the year	-	-	(1,873)	**(1,873)**
Total comprehensive income	-	-	**(3,207)**	**9,293**
Transfers to statutory reserve	-	-	-	-
Balance as at December 31, 2018	**11,992**	**508**	**(3,207)**	**9,293**

Year ended December 31, 2017

	Share capital	Legal reserve	Retained Earnings	Total equity
Balance as at January 1, 2017	11,992	472	(1,310)	11,154
Profit for the year	-	-	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

NOTES
(All amounts are in thousands of United States Dollars)

1. Interest Income

	2018	2017
Interest income from loans and advances to customers	5,848	6,896
Interest income from balances with banks	104	37
Disbursement fee income	887	1,074
Interest income from held to maturity	81	9
Penalty interest	74	128
	6,994	8,144

2. Interest expense

Interest expense on loans from banks and other financial institutions	469	454
Interest expense on term deposits	195	208
Interest expense on financial instruments at fair value through profit or loss	385	278
Interest expense on savings accounts	195	213
Other interest expense	69	2
	1,313	1,155

3. Impairment charge on financial assets

Impairment for loan losses		
Impairment allowance – Stage 1 and Stage 2	730	1,499
Impairment allowance – Stage 3	34	12
	764	1,511
Income from recovery of previously written-off loans	(111)	(83)
	653	1,428
Impairment on other financial assets	1,554	-
	2,207	1,428

NOTES (Continued)
(All amounts are in thousands of United States Dollars)

4. Net fee and commission income

	2018	2017
Fee and commission income from cash transactions	-	39
Fee and commission income from account maintenance	613	694
Fee and commission income from international money transfers	57	199
Fee and commission income on cheques	16	12
Other account service fees	143	107
Fees from dormant accounts	353	306
Fees from trade finance and national guarantees	9	12
Other fee and commission income from customers	160	27
Fee and commission income	**1,351**	1,396
Fee and commission expense on nostro accounts	(23)	(9)
Fee and commission expense for international money transfers	-	(6)
Fee and commission expense	**(23)**	(15)
Net fee and commission income	**1,328**	1,381

5. Net loss from foreign exchange trading

	2018	2017
Gains/(losses) from foreign exchange operations with customers	14	(16)
Losses from currency revaluations	(1,216)	(636)
	(1,202)	(652)

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

	2018	2017
Gains on revaluation of AFV instruments	798	530
	798	530

7. Net other operating expenses

	2018	2017
Other operating expenses	50	49
Profit on the disposal of property, plant and equipment	(4)	(7)
Income from reimbursement of expenses	(13)	(6)
Other operating income	(5)	(23)
	28	13

NOTES (Continued)
(All amounts are in thousands of United States Dollars)

8. Personnel expenses

	2018	2017
Salary expenses	2,699	2,752
Social security expenses	147	128
Other personnel expenses	46	62
	2,892	2,942

9. Other operating expenses

Consulting fees LFS GmBH	317	1,157
Communication expenses	164	118
Transport expenses	41	40
Travel expenses	78	85
IT expenses	61	30
Utilities and electricity expenses	226	211
Royalties and maintenance fees	382	-
Printing and office supplies	331	195
Security service expenses	226	234
Marketing, advertising and entertainment	55	81
Repair and maintenance	90	103
Audit fees	67	55
Legal and advisory expenses	60	59
Insurance expenses	75	58
Non-profit tax expenses	194	34
Training expenses	24	46
Other service expenses	27	25
Board expenses	7	17
Expenses for central services from Access Microfinance Holding AG	724	-
Others	135	58
Total – other administrative expenses	3,284	2,606

10. Income tax credit

Current income tax charge/(credit) (note 18)	170	(84)
Deferred income tax (credit)/charge (note 19)	(1,174)	55
	(1,004)	(29)

NOTES (Continued)
(All amounts are in thousands of United States Dollars)

11. Cash and cash equivalents

	2018	2017
Cash on hand	**2,245**	1,717
Central bank accounts	**7,583**	10,921
Cash and bank balances	**9,828**	12,638
Loans and advances to banks (< 90 days)	**2,604**	4,290
Cash and cash equivalents in the statement of cash flows	**12,432**	16,928

12. Investment securities

Amortized cost		
- Short term treasury bills	**-**	237
- Government bond	**638**	76
	638	313

13. Loans and advances to banks

Loans and advances to banks	**5,660**	4,288
Accrued interest	**68**	2
	5,728	4,290

14. Financial assets at fair value through profit or loss

Currency swaps	**972**	530
	972	530

15. Loans and advances to customers

Loans and advances to customers (outstanding principal)	**20,616**	19,789
Accrued interest on loans and advances to customers	**385**	355
Deferred disbursement fees	**(168)**	(151)
	20,833	19,993
Allowance for impairment losses	**(2,851)**	(2,557)
	17,982	17,436

NOTES (Continued)

(All amounts are in thousands of United States Dollars)

15. Loans and advances to customer (continued)

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

	2018	2017
Trade	**16,769**	16,867
Services	**2,164**	1,709
Agriculture	**23**	-
Manufacturing	**1,154**	886
Transportation	**168**	9
Staff	**190**	318
Construction	**365**	204
	20,616	19,789

The carrying amount of loans and advances that are past due but not impaired is USD20,616 thousand (2017: USD19,789 thousand).

	2018	2017
The allowance for impairment losses was comprised as follows:		
Stage 1 (12-month ECL)	**(716)**	-
Stage 2 (lifetime ECL not credit impaired)	**(100)**	-
Stage 3 (lifetime ECL credit impaired)	**(2,035)**	-
Specific impairment allowance	-	(11)
Collective impairment allowance	-	(2,546)
	(2,851)	(2,557)

The allowance for impairment losses is as follows:		
At January 1	**2,557**	1,148
Opening IFRS 9 adjustment	**133**	-
Charge for the year	**764**	1,511
Currency translation	**5**	(19)
Recoveries during the year	**(111)**	(83)
Write-offs	**(497)**	-
At December 31	**2,851**	2,557

NOTES (Continued)

(All amounts are in thousands of United States Dollars)

16. Property and equipment

2018	**Land and buildings**	**Furniture, fixtures, equipment**	**Motor vehicles**	**Computer equipment**	**Total**
Cost					
At January 1	3,502	1,654	329	807	**6,292**
Additions	184	400	48	30	**662**
Disposals	-	(7)	(23)	-	**(30)**
December 31	3,686	2,047	354	837	**6,924**
Accumulated depreciation					
At January 1	1,344	1,163	201	645	**3,353**
Charge for the year	246	190	86	57	**580**
Disposals	-	(7)	(23)	-	**(30)**
December 31	1,590	1,346	264	702	**3,903**
Net book value					
December 31	**2,095**	**701**	**90**	**135**	**3,021**

2017	Land and buildings	Furniture, fixtures, equipment	Motor vehicles	Computer equipment	Total
Cost					
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

Profit on disposal of property and equipment

	2018	2017
Cost	**30**	125
Accumulated depreciation	**(30)**	(125)
Net book value	**-**	-
Proceeds from disposal	**(4)**	(7)
Profit on disposal	**(4)**	(7)

NOTES (Continued)

(All amounts are in thousands of United States Dollars)

17. Intangible assets

	2018	2017
myMBS banking software	315	621
Total	**315**	621

Movement in intangible assets		
Net book value, January 1	621	685
Additions	-	321
Currency translation differences	35	569
Amortization	(341)	(954)
Net book value, December 31	**315**	621

18. Current income tax

	At January 1	Charge/ adjustment during the year	Payments during the year	At December 31
Year of assessment				
Up to 2017	(373)	-	(36)	**(409)**
2018	-	170	(133)	**37**
	(373)	**170**	**(169)**	**(372)**
Year of assessment				
Up to 2016	(134)	(122)	(48)	(304)
2017	-	38	(107)	(69)
	(134)	(84)	(155)	(373)

19. Deferred income tax assets

	2018	2017
The deferred tax assets are attributed to the following:		
Tax loss carried forward	**(53)**	(293)
Other temporary differences:		
Property and equipment	**(400)**	-
Unrealized foreign exchange (losses)/gains	**(293)**	109
Provisions	**(389)**	-
Other	**(178)**	-
	(1,313)	(184)

Movement in deferred income tax assets:		
At January 1	**(184)**	(271)
Effect of changes in exchange rate	**45**	32
(Credit)/charge to profit or loss	**(1,174)**	55
At December 31	**(1,313)**	(184)

NOTES (Continued)
(All amounts are in thousands of United States Dollars)

20. Other financial assets

	2018	2017
Sundry receivables	352	37
Clearing and miscellaneous accounts	1,195	352
Receivables against employees	10	2
Receivables against Group companies	370	-
Receivable from money transfer services	473	461
Other remittances	138	124
	2,538	976
Impairment allowance on other financial assets	(1,824)	(270)
	714	706

21. Other non-financial assets

Prepayments	668	964
Inventory	121	136
	789	1,100

22. Loans from banks and other financial institutions

Loans from banks and other financial institutions	9,497	6,158
Accrued interest	151	121
	9,648	6,279

23. Customer accounts

Term deposit accounts	4,629	4,069
Savings accounts	11,572	11,678
Current accounts	5,322	6,907
Accrued interest on customer accounts	190	131
Pending client transfers	282	91
	21,995	22,876

24. Provisions

Provision for staff leave	18	13
	18	13

Provision for staff leave

At January 1	13	30
Amounts used	(13)	(17)
Additional provisions made	18	-
At December 31	18	13

NOTES (Continued)
(All amounts are in thousands of United States Dollars)

25. Other financial liabilities

	2018	2017
Liabilities for goods and services	71	89
Payables against group companies	84	26
Payables against LFS GmbH	-	47
Wages and salaries due, but not yet paid	175	156
Social security contributions payables	44	34
Accrued expenses	112	113
	486	465

26. Other non-financial liabilities

Withholding tax payable	232	198
	232	198

27. Share capital

As at December 31, 2018 the subscribed capital is USD11,992 thousand which has been fully paid in by the shareholders of the Bank with the following shareholder structure:

	2018			2017		
	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 United States Dollars)

28. Financial instruments: classes

	Carrying amount	Impairment	Fair value
2018			
Cash and cash equivalents	9,828	-	**9,828**
Held to maturity	638	-	**638**
Loans and advances to banks	5,728	-	**5,728**
Financial assets at fair value through profit/ loss	972	-	**972**
Loans and advances to customers	20,833	(2,851)	**17,982**
Other financial assets	2,538	(1,824)	**714**
Loans from banks &other financial institutions	9,648	-	**9,648**
Customer accounts	21,995	-	**21,995**
Other financial liabilities	486	-	**486**
2017			
Cash and cash equivalents	12,638	-	12,638
Held to maturity	313	-	313
Loans and advances to banks	4,290	-	4,290
Financial assets at fair value through profit/ loss	530	-	530
Loans and advances to customers	19,993	(2,557)	17,436
Other financial assets	976	(270)	706
Loans from banks & other financial institutions	6,279	-	6,279
Customer accounts	22,876	-	22,876
Other financial liabilities	465	-	465