



ACCESS BANK LIBERIA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

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CORPORATE INFORMATION

Directors	Mr. Bernd Zattler Mr. Kyle Lackner Mr. Geegbae A. Geegbae Mr. Duannah Kamara Mr. Monojeet Pal Mr. Jonas Nyaye Ms. Claire Clasquin Mr. Patrick Thomas	Chairman Director Director Director Director Managing Director (Appointed December 18 2016) Director (Appointed September 18 2016) Director (Resigned June 30 2016)
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Register Office AccessBank Liberia Limited
20th Street, Sinkor
Monrovia

Auditor PricewaterhouseCoopers
(Liberia) LLC
9th Street Payne Avenue
Sinkor
Monrovia, Liberia

Company Secretary Atty. B. Augustus Tarpeh

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements for the year ended December 31, 2016.

Statement of directors' responsibilities

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

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

The directors have made an assessment of the Bank's ability to continue as a going concern and have no reason to believe the bank will not be a going concern in the year ahead.

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. Access Bank is not a capital market-oriented company. The financial statements of the Bank for the financial year 2016 will be approved for issue by the Board of Directors in May 2017. 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 20 to the financial statements.

REPORT OF THE DIRECTORS (continued)

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 May 15, 2017.

By Order of the Board

Name of director: Dr. Bernd Zattler

Signature:



Name of director: Jonas K. 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, 2016, 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, 2016.

The financial statements on pages 7 to 58 comprise:

- the statement of financial position as at December 31, 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

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

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

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

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

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

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.

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.
- 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.

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

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 ON OTHER LEGAL AND REGULATORY REQUIREMENTS


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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were required for the purposes of our audit; and
- ii) the Bank's balance sheet (statement of financial position) is properly drawn up so as to exhibit a true and fair view of the state of the Bank's affairs according to the best of the information and the explanations given to us, and as shown by the books of the Bank.
- iii) the Bank's balance sheet (Bank's 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.

In accordance with section the New Financial Institution Act, 1999, we hereby confirm that:

- i) in our opinion , the accounts give a true and fair view of the state of affairs of the Bank and the results of operations for the period under review; and
- ii) we were able to obtain all the information and explanations required for the efficient performance of our duties as auditor

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


PricewaterhouseCoopers (Liberia) LLC
Certified Public Accountants
Monrovia, Liberia
May 23, 2017



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

		<u>At December 31</u>	
	Note	2016	2015
Assets			
Cash and bank balances	6	807,507	768,228
Due from other banks	7	419,584	152,946
Loans and advances to customers	8	2,094,066	1,393,319
Property and equipment	9	308,122	266,481
Intangible assets	10	69,873	63,993
Current income tax asset	11	13,681	39,731
Deferred tax asset	12	29,859	35,904
Other financial assets	13	32,464	20,380
Other non-financial assets	14	<u>87,145</u>	<u>119,245</u>
Total assets		<u>3,862,301</u>	<u>2,860,227</u>
Liabilities			
Due to banks and other financial institutions	15	487,906	89,244
Deposits from customers	16	2,136,189	1,840,409
Provisions	17	3,082	7,056
Other financial liabilities	18	63,645	50,019
Other non-financial liabilities	19	<u>33,809</u>	<u>2,524</u>
Total liabilities		<u>2,724,631</u>	<u>1,989,252</u>
Equity			
Share capital	20	804,641	804,641
Translation reserve		372,895	234,294
Statutory reserve	20	45,947	13,923
Retained earnings	20	<u>(85,813)</u>	<u>(181,883)</u>
Total equity		<u>1,137,670</u>	<u>870,975</u>
Total liabilities and equity		<u>3,862,301</u>	<u>2,860,227</u>

The accompanying notes on pages 11 to 58 form an integral part of these financial statements.

The financial statements on pages 7 to 58 were approved by the Board of Directors on May 15, 2017 and signed on its behalf by:

Name of Director: Dr. Bernd Zattler

Name of Director: Jonas K. Nyaye

Signature:



Signature:



STATEMENT OF COMPREHENSIVE INCOME

(All amounts are in thousands of Liberian Dollars)

		<u>Year ended December 31</u>	
	Note	2016	2015
Interest income	21	886,525	643,245
Interest expense	22	<u>(52,255)</u>	<u>(43,450)</u>
Net interest income before allowance for loan impairment		834,270	599,795
Allowance for loan impairment	8	<u>(76,950)</u>	<u>(60,992)</u>
Net interest income after allowance for loan impairment		757,320	538,803
Fee and commission income	23a	90,175	70,024
Fee and commission expense	23b	<u>(1,101)</u>	<u>(1,859)</u>
Net fee and commission income		89,074	68,165
Other gains	24	6,924	2,176
Net other operating (expense)/income	25	<u>(7,457)</u>	<u>33,039</u>
Operating income		845,861	642,183
Personnel expenses	26	(322,258)	(290,764)
Operating lease expenses	27	(17,464)	(13,845)
Depreciation and amortisation expenses	28	(107,395)	(86,424)
Other operating expenses	29	(219,768)	<u>(231,363)</u>
Profit before income tax		178,976	19,787
Income tax (expense)/credit	30	<u>(50,882)</u>	<u>35,904</u>
Profit for the year after tax		128,094	55,691
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>128,094</u>	<u>55,691</u>

The accompanying notes on pages 11 to 58 form an integral part of these financial statements.

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

	Issued capital	Retained earnings	Statutory reserve	Translation reserve	Total
<u>Year ended 31 December 2016</u>					
At 1 January 2016	804,641	(181,883)	13,923	234,294	870,975
Profit for the year	-	128,094	-	-	128,094
Exchange differences on translation	-	-	-	138,601	138,601
Total comprehensive income	-	128,094	-	138,601	266,695
Total transactions with owners					
Transfer to statutory reserve	-	(32,024)	32,024	-	-
At 31 December 2016	804,641	(85,813)	45,947	372,895	1,137,670
<u>Year ended 31 December 2015</u>					
At 1 January 2015	804,641	(223,651)	-	178,703	759,693
Profit for the year	-	55,691	-	-	55,691
Exchange differences on translation	-	-	-	55,591	55,591
Total comprehensive income	-	55,691	-	55,591	111,282
Total transactions with owners					
Transfer to statutory reserve	-	(13,923)	13,923	-	-
At 31 December 2015	804,641	(181,883)	13,923	234,294	870,975

The accompanying notes on pages 11 to 58 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(All amounts are in thousands of Liberian Dollars)

	Note	<u>Year ended December 31</u>	
		2016	2015
Cash flows from operating activities			
Profit before income tax		178,976	19,787
<i>Adjustment for:</i>			
Depreciation	28	51,079	46,811
Amortization	28	56,316	39,613
Allowance for loan impairment		85,375	71,576
Gain on disposal of property and equipment	9	(1,075)	(88)
Unrealized exchange difference		129,119	(255,535)
Interest income	21	(886,525)	(643,245)
Interest expense	22	52,255	43,450
Changes in loans and advances to customers		(791,891)	(185,869)
Changes in other financial assets		(12,084)	212,070
Changes in other non-financial assets		32,100	(13,023)
Changes in due to banks and other financial institutions		368,687	(93,862)
Changes in deposits from customers		292,856	440,833
Changes in provisions		(3,974)	2,054
Changes in other financial and non financial liabilities		<u>44,911</u>	<u>(25,603)</u>
Cash used in operations		(403,875)	(341,031)
Interest received		880,756	635,819
Interest paid		(46,156)	(43,450)
Tax paid	11	<u>(18,789)</u>	<u>(13,570)</u>
Net cash generated from operating activities		<u>411,936</u>	<u>237,768</u>
Cash flows from investing activities			
Purchase of property and equipment	9	(49,672)	(63,696)
Purchase of intangible assets	10	(57,422)	(45,863)
Sale of property and equipment	9	<u>1,075</u>	<u>4,946</u>
Net cash used in investing activities		(106,019)	(104,613)
Net increase in cash and cash equivalents		305,917	133,155
Cash and cash equivalents at January 1		<u>922,174</u>	<u>788,019</u>
Cash and cash equivalents at December 31		<u>1,227,091</u>	<u>922,174</u>

The accompanying notes on pages 11 to 58 form an integral part of these financial statements.

NOTES

1. Reporting entity

AccessBank Liberia Ltd (the “Bank”), is a limited liability company incorporated and domiciled in Monrovia, Liberia. Its registered office is at 20th Street, Sinkor, P.O. Box 1230, Tubman Boulevard, Monrovia, Liberia. Its parent and ultimate holding company is Access Microfinance Holding AG. The principal activities of the Bank, as a commercial microfinance company, is providing financial services to micro, small and medium sized enterprises in the form of working capital and loans. The Bank is regulated by the Central Bank of Liberia (the “CBL”) and conducts its business under license number 01_09 giving it the right to conduct all banking business in Liberia including foreign exchange. The business purpose and principal activity of AccessBank Liberia Limited - as a commercial microfinance bank - is commercial and retail banking operations within the Republic of Liberia, with a focus on serving micro and small business customers.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial assets available-for-sale and financial assets and liabilities at fair value through profit or loss, all of which have been measured at fair value. The financial statements are presented in Liberian Dollars (LRD), which is the presentation currency of the Bank and all values are rounded to the nearest thousands, except when otherwise indicated. All values below 500 LRD are presented as zero and all “-“ represent no value.

Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretation Committee (IFRIC) interpretations and comply with the Prudential Regulations by the Central Bank of Liberia (CBL).

Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Basis of measurement

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. Additional information required by the New Financial Institutions Act (FIA) of 1999 and the Prudential Regulations of the Central Bank of Liberia (CBL) have been included, where appropriate. These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policy below.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures

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

The Bank considered for application, certain standards and amendments which are effective for annual periods beginning on or after January 1, 2016. However, these standards and do not significantly impact the financial statements of the Bank.

(b) New and amended standards not yet adopted by the Bank

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2015. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Bank is yet to assess IFRS 9's full impact.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

IFRS 15, ‘Revenue from contracts with customers’

IFRS 15, ‘Revenue from contracts with customers’ deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers.

Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Bank is assessing the impact of IFRS 15.

2.3 Change in accounting estimates

In 2016, the Bank revised several rates for the calculation of collective allowance for impairment loss for the Bank’s loans and advances to customers. The revised rates were based on an updated assessment of historical default rates in the Bank, adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based. The pre-tax net financial impact amounted to a gain of LRD1, 725,000.

2.4 Change in accounting policies

In 2016 the Bank did not change its accounting policies.

In 2016 the Bank extended its chart of accounts significantly, leading to several reclassifications of prior year financial statements.

2.5 Foreign transactions and balances

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates (“the functional currency”). The functional currency of the bank is United States Dollars (USD). The financial statements are translated and presented in Liberian Dollars (LRD) which is the presentation currency of the bank. Transactions in foreign currencies are initially recorded at the spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are recognised in “other gains or losses’ in the profit or loss.

Presentation currency

These financial statements are presented in Liberia Dollars. The translation is based on annual average rates of exchange for profit and loss account items and on rates of exchange ruling at the year-end for all assets and liabilities. Stated capital is translated at historical rate. Resulting translation differences are recognised in equity as a translation reserve. This reserve is non-distributable.

The following exchange rates were applied in these financial statements.

1 USD equals	December 31, 2016	December 31, 2015
Liberian Dollars	102	88

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.6 Revenue recognition

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

(i) Interest income

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

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as Interest income' for financial assets and Interest expense for financial liabilities. However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate.

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

For loans where there is objective evidence that an impairment loss has been incurred, the accrual of interest income is terminated not later than 30 days after the last payment. Payments received in respect of written-off loans are recorded as a reduction of impairment charge for loan losses.

(ii) Fee and commission income

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.7 Loan related fees

Fees and commissions are recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction.

2.8 Financial instruments

2.8.1 Initial recognition and subsequent measurement

(i) Date of recognition

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

(ii) Initial measurement of financial instruments

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

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

Financial assets are classified as cash and cash equivalents, loans and advances to banks, financial assets at fair value through profit or loss, financial assets available-for-sale, loans and advances to customers and other financial assets.

Financial liabilities are classified as loans from banks and other financial institutions, financial liabilities at fair value through profit or loss, customer accounts, other financial liabilities, debt securities and subordinated debt.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

2.8.1 Initial recognition and subsequent measurement (continued)

(iii) Financial assets available-for-sale

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

After initial measurement, financial assets available-for-sale are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity ('Other comprehensive income') in the 'Available-for-sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement.

Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding financial assets available-for-sale is reported as interest income using the effective interest rate. Dividends earned whilst holding financial assets available-for-sale are recognised in the income statement as 'Net other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in 'Net result from financial assets available-for-sale' and removed from the 'Available-for-sale reserve'.

(vi) Loans and advances to banks and customers

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

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

2.8.1 Initial recognition and subsequent measurement (continued)

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

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

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

(i) Financial assets

A financial asset is derecognised when:

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

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

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

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

2.8.2 Derecognition of financial assets and financial liabilities

2.8.3 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

(i) Financial assets carried at amortised cost

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

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

2.8.3 Impairment of financial assets (continued)

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. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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

(ii) Financial assets available-for-sale

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

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

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

2.8.3 Impairment of financial assets (continued)

(iii) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(iv) Repossessed property

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

2.8.4 Classes of financial instruments

The Bank classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made is as follows:

Financial assets	Category
Balances with central banks	Loans and receivables
Short-term treasury bills	Available-for-sale financial assets
Loans and advances to banks	Loans and receivables
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss
Financial assets available-for-sale	Available-for-sale financial assets
Loans and advances to customers	Loans and receivables
Other financial assets	Loans and receivables
Financial liabilities	
Loans from banks and other financial institutions	Financial liabilities at amortised cost
Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through profit or loss
Customer accounts	Financial liabilities at amortised cost
Other financial liabilities	Financial liabilities at amortised cost
Subordinated debt	Financial liabilities at amortised cost

2. Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

2.8.5 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.

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.

2.8.6 Fair value hierarchy- Financial instruments measured at fair value

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

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

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

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

The fair value calculations have been determined using a discounted cash flow method. The valuation techniques use observable current market transactions and market rates for similar market transactions.

The Bank considers that the carrying amounts of all classes of financial assets and financial liabilities carried at amortised cost approximate their fair values, while short-term treasury bills, financial assets available-for-sale and financial assets and liabilities at fair value through profit or loss are carried at fair value in the financial statements.

There were no transfers between the different levels in 2015 and 2016.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.8 Financial instruments (continued)

2.8.7 Financial instruments: Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the Statement of financial position.

2.9 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central bank and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

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

2.10 Loans and advances to banks

Loans and advances to banks include restricted balances held with central bank and placements with banks with maturities of more than three months from the acquisition date. Loans and advances to banks are recognized/ treated equal to loans and receivables.

2.11 Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money directly to a debtor with no intention of trading the receivable.

Loans and receivables are initially recognized at fair value plus transactions costs; subsequently they are measured at amortized cost using the effective interest method. At each balance sheet date and whenever there is evidence of potential impairment, the Group assesses the value of its loans and receivables. Their carrying amount may be reduced as a consequence through the use of an allowance account. If the amount of the impairment loss decreases, the impairment allowance is reduced accordingly, and the amount of the reduction is recognized in the income statement. The upper limit on the reduction of the impairment is equal to the amortized costs which would have been incurred as of the valuation date if there had not been any impairment.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.11 Loans and advances to customers (continued)

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers in the Group and economic conditions that correlate with defaults.

Loans are recognized when the principal is advanced to the borrowers. Loans and receivables are derecognized when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

2.12 Investments available for sale

Available for sale financial assets (AFS) are those non derivative financial assets that are designated as available for sale or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets at fair value through profit or loss. Those financial assets are generally measured at fair value which equals acquisition costs at the acquisition date. Fair values are determined using a valuation technique. Valuation technique used is based on observable current market transactions. Changing one or more of those assumptions to reasonably possible alternative assumptions would not change fair value significantly.

Changes in the fair value of available for sale financial assets are recognized in equity/other comprehensive income until the financial assets are either sold or become impaired.

2.13 Property and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or the activation for use of the items. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they are material and qualify for capitalization.

Depreciation

Depreciation on property, plant and equipment and intangible assets (excluding goodwill) is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	-	shorter of lease term or useful life of 15 years
Buildings	-	15 to 40 years
Computers	-	6 years
Furniture	-	6 years
Motor vehicles	-	3 years
Other fixed assets	-	2 to 7 years

Land is not depreciated.

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.14 Intangible assets

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

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

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

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Core banking software - 5 years
- Computer software - 2 years

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

2.15 Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.16 Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'Other financial liabilities') at fair value, being the premium received. Subsequent to initial recognition, the Bank's/Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

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

2.17 Current and deferred income tax

The Bank is subject to income taxes in its jurisdiction. 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 tax. Tax is recognized in the income statement, 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 the country the Bank operates and generates taxable income. 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.

(I) Current income tax

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

(ii) Deferred income tax

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

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

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

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.17 Current and deferred income tax (continued)

(ii) Deferred income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the income statement.
Deferred income tax assets and liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities.

2.18 Loans from banks and other financial institutions and customer accounts

Liabilities from banks and other financial institutions and Customer accounts are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate.

All financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires. Loans from banks and other financial institutions and Customer accounts are categorized as financial liabilities at amortized cost.

Borrowing costs are expensed and not capitalized.

2.19 Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

2.20 Other financial assets, other financial liabilities

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

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. The Group leases office premises.

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

Access Bank does not lease assets in finance leases.

AccessBank Liberia Limited

Financial statements

For the year ended December 31, 2016

NOTES (continued)

2. Summary of significant accounting policies (continued)

2.22 Provisions, contingent liabilities and contingent assets

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

Contingent liabilities are recognized in financial statements only when the outflow of resources is required to settle the obligation and the amount of the obligation can be estimated reliably. Contingent assets are not recognized in financial statements but should be disclosed where an inflow of economic benefits is probable.

2.22 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/Company's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortisation recognized in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

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

2.23 Defined contribution plans

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

NOTES (continued)

3. Critical estimates and judgments

Estimates and judgments are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Loans and advances to customers

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

b) Property and equipment

The Bank tests annually whether property and equipment suffered any impairment, in accordance with the accounting policy 2.15 stated above. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

c) Intangible assets

At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

No intangible assets were impaired as at 31 December 2016 (2015: nil).

d) Income taxes

For deferred tax assets on unused tax losses the estimation of future profits can be a critical accounting estimate.

NOTES (continued)

4. Financial risk management

a) Principles

Our general strategy of providing responsible financial services to low and middle income households and in particular to micro and small businesses also determines our approach to risk management. As our bank strives to be the 'house bank' (bank of choice) for micro and small enterprises by offering all the financial services that they usually need, they build up long-term relationships with customers, staff and other partners. Based on responsibility and mutual respect, this long-term perspective in itself is an important element of our approach to risk-management.

This overall approach is further enacted in a number of principles governing our business strategy:

b) Focus on business ethics and service quality

All members of the AccessGroup adhere to a joint set of principles of good corporate behavior, covering areas such as responsible lending practices, adherence to international and local social and environmental standards, as well as a stringent code of conduct for all member bank employees. Transparency, clarity of products as well as speed and quality of service are important consequences of this approach.

c) Focus on core business

By concentrating on our core target group's needs and hence a rather limited range of products, we are able to ensure a high quality of service and a thorough expertise in whatever products are offered: What we do, we want to do well. At the same time, speculative or erratic strategies are avoided.

Concentrating sparse management capacity is of particular importance in our countries of operation, where the general level of education is relatively low and poor business ethics are a common phenomenon, leading to relatively high operational risks. Moreover, experience shows that a well-managed portfolio of micro and small business loans is much more resilient to economic shocks than lending to other sectors.

d) Focus on training and staff development

Our recruitment concept places strong emphasis on identifying talented and motivated staff with no prior relevant work experience and qualifying them to assume successively more responsible roles over time. Regular training and coaching as well as frequent staff exchange between network banks are vital elements in this strategy. These elements are embedded in a general corporate culture that combines hands-on management with flat hierarchies.

(e) Common management

A further important element of the overriding risk management strategy is the common management approach, implemented through the technical partner LFS, and the provision of active involvement and control by the headquarters.

4. Financial risk management

(e) Common management (continued)

The proven and well tested approach ensures through permanent and institutionalized exchange of staff and information as well as through control and audit that best practice is followed, synergies are realized and the duplication of errors is avoided. This approach is a conclusion from the observation that management capacity is often the single most important bottleneck for the development and success of microfinance institutions. The linkage between the provision of capital and management services is at the heart of our business concept.

4.1 Credit Risk

Management of individual risks

Credit risk is the risk that the party to a credit transaction will be unable to meet its contractually agreed obligations towards the bank. Credit risk is the most important risk that our bank incurs. In our case, credit risk arises mainly from customer credit exposures and to a lesser extent from interbank or other short-term placements. As more than 90% of our lending is to micro, small and medium-sized businesses this section concentrates on business lending.

The economy we operate in is characterized by a relatively high degree of informal transaction and a rather deficient legal system. Moreover, our typical borrowers (especially in the micro loan segment) often do not possess significant assets that could be pledged as collateral. Having operated for 6 years in this developing and transition economy, AccessBank Liberia Limited is using an approach to lending under these conditions that has allowed it to preserve a good portfolio quality over the years.

The core principle of this technology is that credit decisions are primarily based on a thorough analysis of the borrowers' credit worthiness, i.e. the capacity and willingness of the credit applicant to pay. The debt capacity is reflected in a cash flow projection, forming the basis for the decision on the loan conditions and the payment plan, which in almost all cases is an installment 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 through the Central Bank of Liberia's Credit Reference System, statements of guarantors, suppliers, neighbors or employers.

One common feature is that official information concerning the economic situation of the micro and small borrowers is incomplete and often not reliable. In order to mitigate this risk, our loan officers' collect and cross-check relevant primary data, in particular through visits in the applicant's enterprise(s) and household. The economic situation of the applicants' household and other related parties is included in the credit analysis.

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

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

NOTES (continued)

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

4. Financial risk management (continued)

4.1 Credit Risk (continued)

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

The use of the loan and its repayment are closely monitored by regular visits to the client and immediate action if the client falls into arrears. This is supported by a strong MIS system and a culture of strict adherence to procedures and rules.

While the principles outlined above are relevant to all of our business lending, we apply them in a differentiated way for the segments of micro and SME business lending. While in micro lending we put a strong focus on standardization and efficiency, in the SME segment loan analysis goes deeper and contains more elements of prospective analysis. Furthermore, traditional collateral plays a much larger role in our SME lending.

Loan officers, middle managers and the head office 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 specialized recovery units, credit management and the Banks' legal department.

Based on our experience, we measure the level of credit risk mainly in the Portfolio at Risk (PAR) (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 4.9% as of December 31, 2016 (4.51% in 2015). Write-offs during the year totalled LRD 62,341 thousand or 2.7% of the total portfolio (LRD109, 709 thousand / 7.4% in 2015). 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 LRD125, 120 thousand (5.5%).

The following table shows the current quality of the loan portfolio as at 31 December 2016. The risk coverage ratio puts loan loss provisions in relation to the PAR 30 portfolio.

Outstanding principal	PAR>30		PAR>90		Risk coverage ratio
	LRD`000	%	LRD`000	%	%
<u>2,213,009</u>	<u>110,495</u>	<u>4.99%</u>	<u>65,247</u>	<u>2.95%</u>	<u>106%</u>

NOTES (continued)

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

4. Financial risk management (continued)

4.1 Credit Risk (continued)

As of 31 December 2015 the quality of the loan portfolio is as follows:

Outstanding principal	PAR>30		PAR>90		Risk coverage ratio
	LRD`000	%	LRD`000	%	%
<u>1,483,437</u>	<u>66,913</u>	<u>4.51%</u>	<u>52,358</u>	<u>3.53%</u>	<u>123%</u>

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

Credit quality by class of financial assets

2016	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Balances with central banks	490,338	-	-	490,338
Loans and advances to banks	419,584	-	-	419,584
Loans and advances to customers	2,094,066	-	-	2,094,066
Other financial assets	<u>32,464</u>	<u>-</u>	<u>-</u>	<u>32,464</u>
Total	<u>3,036,452</u>	<u>-</u>	<u>-</u>	<u>3,036,452</u>
2015				
Balances with central banks	557,457	-	-	557,457
Short-term treasury bills	19,989	-	-	19,989
Loans and advances to banks	152,949	-	-	152,946
Loans and advances to customers	1,396,453	-	-	1,396,453
Other financial assets	<u>20,380</u>	<u>-</u>	<u>-</u>	<u>20,380</u>
Total	<u>2,147,225</u>	<u>-</u>	<u>-</u>	<u>2,147,225</u>

Portfolio concentration

Portfolio concentration arises when the banks have significant credit exposures focussed 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.

AccessBank Liberia Limited*Financial statements**For the year ended December 31, 2016***NOTES (continued)**

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

4. Financial risk management (continued)**4.1 Credit Risk (continued)**

Following table shows the amount of the loan portfolio concentrated on the 10 largest client exposures.

Outstanding principal	2016		Outstanding Portfolio	2015	
	Amount	%		Amount	%
<u>2,213,009</u>	<u>80,065</u>	<u>3.62%</u>	<u>1,483,437</u>	<u>58,833</u>	<u>3.97%</u>

The carrying amounts of all other classes of financial instruments represent the maximum credit exposure.

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

	2016	2015
Real estate	1,042,822	-
Vehicles	158,579	-
Inventories	714,363	1,350,754
Cash collateral	<u>293,603</u>	<u>125,093</u>
Total	<u>2,209,367</u>	<u>1,475,847</u>

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 together make up less than 2% of the total portfolio. In retail lending, we apply very conservative standards to avoid over indebtedness and resulting high risk levels.

4.2 Operational and fraud risk

Operational risks of various types from fraud to difficulties in electricity supplies are the second largest risk in Access Bank Liberia Limited. Managing and controlling these risks is a constant core attention on all management levels.

Our Bank has established a risk matrix identifying and classifying the various sources of operational risk, and is addressing them through a combination of policies, procedures and specific management activities. The risk matrices are reviewed on an annual basis by management and internal audit.

In 2016, no significant loss events occurred in the Bank.

a) Liquidity risk

Liquidity risk in the strict sense of the word is the danger that a bank will no longer be able to meet its payment obligations in full, or in a timely manner. In a wider sense, it is the danger that additional funding can no longer be obtained, or can only be obtained at significantly increased costs.

NOTES (continued)

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

4. Financial risk management (continued)

4.2 Operational and fraud risk (continued)

a) Liquidity risk (continued)

The Bank concentrates on lending to micro, small and medium sized enterprises as well as individuals – the portfolio of such loans makes up nearly 54.22% (2015: 50.9%) of total assets. The portfolio is highly diversified to a large number of customers, and almost exclusively consists of instalment loans with monthly annuity repayments of interest and principal. As described above, portfolio quality has been very good historically, warranting a very strong cash flow to the Bank.

The main sources of refinancing are borrowings from financial institutions (12.6% of total assets; in 2015: 3.12%), customer deposits (55.3%; in 2015: 64.3%) and a high share of equity (29.5%; in 2015: 30.5%). Borrowings are predominantly medium-long term and from either development finance institutions (including shareholders) or specialised microfinance investment vehicles.

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

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

The Bank maintains a high level of cash and cash equivalents that can be easily liquidated in the event of an unforeseen interruption in cash flow. The Bank also holds lines of credit that they can access to meet liquidity needs. 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	
2016	2015	2016	2015
<u>31.8%</u>	<u>32.2%</u>	<u>57.4%</u>	<u>50.1%</u>

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.

Total deposits	2016		Total deposits	2015	
	Amount	%		Amount	%
<u>2,136,189</u>	<u>182,207</u>	<u>8.53%</u>	<u>1,840,409</u>	<u>98,889</u>	<u>5.4%</u>

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For the year ended December 31, 2016

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

4. Financial risk management (continued)
4.2 Operational and fraud risk (continued)

a) Liquidity risk (continued)

As at December 31, 2016 the maturity schedule is as follows:

	< 1 month	1 - 3 months	3 - 12 months	12 months to 2 years	2 to 5 years	Total
in `000 LRD						
Assets						
Cash and bank balances	807,507	-	-	-	-	807,507
Loans and advances to banks	419,584	-	-	-	-	419,584
Loans and advances to customers	48,641	89,813	1,322,642	616,579	16,391	2,094,066
Other financial assets	<u>32,464</u>	-	-	-	-	<u>32,464</u>
	1,308,196	89,813	1,322,642	616,579	16,391	2,546,114
Liabilities						
Loans from banks and other financial institutions	57,920	3,619	-	340,680	85,687	487,906
Customer accounts	1,683,355	56,079	168,543	225,192	3,020	2,136,189
Other financial liabilities	<u>63,645</u>	-	-	-	-	<u>63,654</u>
	1,804,920	59,698	168,543	565,872	88,707	2,687,749
Net liquidity gap	<u>(496,724)</u>	<u>30,115</u>	<u>1,154,099</u>	<u>50,707</u>	<u>(72,316)</u>	<u>(141,635)</u>

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NOTES (continued)

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

4. Financial risk management (continued)

4.2 Operational and fraud risk (continued)

a) Liquidity risk (continued)

As at December 31, 2015 the maturity schedule is as follows:

December 31, 2015	< 1 month	1 - 3 months	3 - 12 months	2 to 5 years	Over 5 years	Total
Assets						
Cash and bank balances	413,051	-	19,989	-	335,188	768,228
Loans and advances to banks	152,946	-	-	-	-	152,946
Loans and advances to customers	49,564	288,601	1,054,741	413	-	1,393,319
Other financial assets	<u>20,380</u>	-	-	-	-	<u>20,380</u>
	<u>635,941</u>	<u>288,601</u>	<u>1,074,730</u>	<u>413</u>	<u>335,188</u>	<u>2,334,873</u>
Liabilities						
Loans from banks and other financial institutions	-	-	-	89,244	-	89,244
Customer accounts	1,516,190	155,447	168,772	-	-	1,840,409
Other financial liabilities	<u>50,019</u>	-	-	-	-	<u>50,019</u>
	<u>1,566,209</u>	<u>155,447</u>	<u>168,772</u>	<u>89,244</u>	-	<u>1,979,672</u>
Net liquidity gap	<u>(930,268)</u>	<u>133,154</u>	<u>905,958</u>	<u>(88,831)</u>	<u>335,188</u>	<u>355,201</u>

The table above analyses assets and liabilities of the Bank into relevant maturity brackets based on the remaining contractual maturity at balance sheet date. The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for the Bank ever to be completely matched since business transacted is often of uncertain term. The maturity of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the bank and its exposure to changes in interest rates and exchange rates.

NOTES (continued)

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

4. Financial risk management (continued)

4.2 Operational and fraud risk (continued)

b) Interest rate risk

Interest rate risk is the danger that our interest margin will be (negatively) influenced by a change in market interest rates because of a mismatch in the maturity (period of fixed interest rates) between assets and liabilities. The Bank extends loans with fixed interest rates and their maturities are usually different from that of customer deposits (shorter maturities) and borrowings (longer maturities). Therefore the Bank does incur an interest rate risk. However, given the imperfect nature of the financial markets in the country, it is uncertain to which extent changes in international or domestic interest rate levels will impact the interest rate level of our customer loans.

The Bank's Asset and Liabilities Committee (ALCO) monitors interest rate risk at least on a quarterly basis.

As of 31 December 2016 the maturity schedule is as follows:

	Non- interest bearing	< 1 month	1 - 3 month s	3 - 12 month s	12 month s to 2 years	2 to 5 years	Total interest bearing
Assets							
Cash and bank balances	807,507	-	-	-	-	-	-
Loans and advances to banks	419,584	-	-	-	-	-	-
Loans and advances to customers	-	48,641	89,913	1,322,642	616,579	16,391	2,094,066
Other financial assets	<u>32,464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	1,259,555	48,641	89,813	1,322,642	616,579	16,391	2,094,066
Liabilities							
Loans from banks and other financial institutions	4,419	57,120	-	-	340,680	85,687	487,906
Customer accounts	529,393	1,165,293	55,848	162,767	218,778	4,110	1,606,796
	533,812	1,222,413	55,848	162,767	559,458	89,767	2,094,702
Net repricing gap	725,743	(1,173,772)	33,965	1,159,875	57,121	(73,406)	(696)

NOTES (continued)

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

4. Financial risk management (continued)

4.2 Operational and fraud risk (continued)

b) Interest rate risk (continued)

As of 31 December 2015 the maturity schedule is as follows:

	Non- interest bearing	< 1 month	1 - 3 month s	3 - 12 months	12 months to 2 years	2 to 5 years	Total interest bearing
Assets							
Cash and bank balances	748,239	-	19,989	-	-	-	19,989
Loans and advances to banks	108,691	-	44,255	-	-	-	44,255
Loans and advances to customers	-	6,737	72,869	770,290	449,961	93,463	1,393,319
Other financial assets	<u>20,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	877,310	6,737	137,113	770,290	449,961	93,463	1,457,563
Liabilities							
Loans from banks and other financial institutions	1,244	-	-	-	-	88,000	88,000
Customer accounts	<u>467,820</u>	<u>1,015,043</u>	<u>148,016</u>	<u>101,646</u>	<u>107,884</u>	<u>-</u>	1,372,588
	469,064	1,015,043	148,016	101,646	107,884	88,000	1,460,588
Net repricing gap	408,246	(1,008,306)	(10,903)	668,644	342,077	5,463	<u>(3,025)</u>

The Bank considers interest rate risk as immaterial. The Bank considers the difference in modified duration as immaterial due to the short-term nature of its assets and a similar average duration on its liability side. Additionally, the Bank considers the correlation of interest rate levels of interest-bearing assets and interest-bearing liabilities as low, given the often immature financial markets in our countries of operations. Additionally, the Bank's business model of providing micro and SME loans with relatively high interest margins provides additional buffer for adverse interest rate movements.

NOTES (continued)

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

4. Financial risk management (continued)

4.2 Operational and fraud risk (continued)

c) Currency risk

Currency risk in the narrow sense arises when assets and liabilities of a 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 Liberia, foreign currency (mainly USD and to a lesser extent Euro) play an important role in the economy. A significant share of customer deposits is held in US-Dollars, and international 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 its 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 United States Dollars. No OCP are being held for speculative purposes.

The following table shows the United States Dollars distribution in the Bank in LRD equivalent. Financial assets /liabilities are split according to their currencies.

Year ended December 31, 2016

	USD	LRD Equivalent	LRD (‘000)	Total (‘000)
Cash and cash equivalents	4,320	440,599	366,908	807,507
Loans and advances to banks	4,110	419,196	388	419,584
Loans and advances to customers	16,773	1,710,802	383,264	2,094,066
Current Income Tax	-	-	13,681	13,681
Other financial assets	<u>160</u>	<u>16,320</u>	<u>16,144</u>	<u>32,464</u>
Loans from banks and other financial institutions	4,783	487,906	-	487,906
Customer accounts	12,613	1,286,550	849,639	2,136,189
Provisions	30	3,082	-	3,082
Other financial liabilities	<u>1,942</u>	<u>55,712</u>	<u>7,833</u>	<u>63,545</u>

Year ended December 31, 2015

Cash and cash equivalents	4,243	373,424	394,804	768,228
Loans and advances to banks	1,734	152,550	396	152,946
Loans and advances to customers	12,512	1,101,048	292,271	1,393,319
Other financial assets	<u>165</u>	<u>14,523</u>	<u>45,588</u>	<u>60,111</u>
Loans from banks and other financial institutions	1,014	89,244	-	89,244
Customer accounts	12,926	1,137,512	702,896	1,840,408
Other financial liabilities	<u>547</u>	<u>48,097</u>	<u>3,886</u>	<u>51,983</u>

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For the year ended December 31, 2016

NOTES (continued)

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

4. Financial risk management (continued)

4.2 Operational and fraud risk (continued)

A 2% (2015: 5%) strengthening/ weakening of the LRD would result in a post-tax impact on profit and equity of LRD 12,220 lower/ higher (2015: LRD 13,750).

d) Counterparty risk

Counterparty risk arises when our bank makes short term placements with other financial institutions. Our bank follows a very conservative policy in this regard and is not allowed to enter into any speculative operations. The highest counterparty risks are incurred with the central bank, mainly as a result of mandatory reserve requirements. Liquid funds are mostly placed internationally with top-rated OECD banks. To a minor extent, our bank is active on its domestic interbank market. An individual limit for each counter-party is approved by the bank's ALCO and monitored regularly as well as before any transaction.

e) Country risk

In a narrow sense, country risk is defined as the risk that we may not be able to enforce contractual rights in a foreign country or that a counterparty in a foreign country is unable to perform an obligation because of specific legal or political risks in that foreign country. In this narrow sense exposure to country risk is limited because cross-border transactions between AccessBank, as well as AccessHolding and the network banks, are limited to occasional short-term arrangements.

In a broader sense, we understand country risk as the danger that political or economic shocks, natural disasters, or other events lead to a substantial negative impact on the bank and its clientele, in the form of e.g. a depressed business environment, sudden delinquency waves, tightened money supply, or extraordinary foreign exchange losses. Operating in a transition and developing country, the Bank is exposed significantly to such risk.

However, experience evidences that the Bank is comparatively shock-resilient, for a variety of factors: Most importantly, our general approach to doing business and manage risks is geared towards the circumstances of transition and developing economies. Secondly, small business activity in developing countries is often precisely a result of poor economic conditions and insufficient employment opportunities, so that demand for microenterprise loans can even increase in the event of a crisis. Moreover, many of our clients are traders of basic goods sold in small batches, the demand for which is affected by economic shocks to a lesser extent than overall demand in the economy. As most of our loans are short-term, we can quickly respond to interest rate changes induced by sudden alterations in money supply. An additional mitigating factor is that the political leverage of the International Financial Institutions (IFIs) among our shareholders on holding and bank levels can help to reduce the country risk.

NOTES (continued)

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

NOTES (continued)

4. Financial risk management (continued)

4.2 Operational and fraud risk (continued)

f) Compliance risks

Compliance risks in the Bank arise from national standards as well as international conventions.

Anti-money laundering and anti-terrorist financing procedures are an important focus area. The Bank has adopted detailed procedures for managing both issues, which are centered on a strict KYC (Know Your Client) policy and which serve to protect the customers and the laws of our countries of operation. The procedures have been prepared in accordance with FATF (Financial Action Task Force) and other international recommendations.

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

4.3 Organization of the risk management function

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

On an operational level, the Bank has established a risk management unit that monitors and manages risks and makes recommendations regarding policies, procedures and risk limits.

4.4 Capital Management

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

- To comply with the capital requirements set by the regulators of the banking markets where the Bank operates; and
- To maintain a strong capital base to support the development of its business

Capital adequacy is monitored on a minimum monthly basis. As a recommendation, 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, general bank reserve, statutory reserve, retained earnings and reserves created by appropriations of retained earnings. The book value of intangible assets is generally deducted in arriving at tier 1 capital.

The capital adequacy requirements for the Bank were met in 2015 and 2016.

NOTES (continued)

5. Internal Audit

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

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

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

The IAF uses a risk-based approach both in determining its annual audit plan as well as in identifying audit priorities for individual audit assignments. In carrying out its duties, the IAF is guided by the International Standards for the Professional Practice of Internal Auditing, which are issued by the Institute of Internal Auditors – the global standard setter for internal audit.

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

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

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

Internal audit functions of the Bank continued with further development and improvement of audit practices by emphasizing risk and process based audit methodologies. Overall, 56 audit assignments have been completed throughout the year, including 1 special audit assignments, investing in total 1,296 audit man-days. Besides, the Bank progressed with further development of IT audit capacities, including the IT audit hub based in Lagos, Nigeria.

By the end of 2016, the Bank had in total 8 staff members within Internal Audit.

NOTES (continued)

(All amounts are in thousands of Liberian Dollars)

6. Cash and cash equivalents

For the purposes of cash flow, cash and cash equivalents comprise

	2016	2015
Cash and bank balances	807,507	768,228
Due from other banks	<u>419,584</u>	<u>152,946</u>
	<u>1,227,091</u>	<u>921,174</u>
Cash and bank balances		
Cash on hand	317,169	190,782
Balances with Central bank (excluding mandatory reserve)	<u>490,338</u>	<u>222,269</u>
	807,507	413,051
Restricted central bank accounts (mandatory reserve)	-	335,188
Short term treasury bills (<90 days maturity)	<u>-</u>	<u>19,989</u>
	<u>807,507</u>	<u>768,228</u>

Mandatory reserve is the mandatory requirements on a percentage of deposit. This was abolished by the Central Bank of Liberia in November 2016.

7. Due from other banks

Short term non-interest bearing balances (<90 days maturity)	419,584	108,691
Short term interest bearing balances (<90 days maturity)	<u>-</u>	<u>44,255</u>
	<u>419,584</u>	<u>152,946</u>

8. Loans and advances to customers

Loans and advances to customers are broken down as follows:

Outstanding principal	2,213,009	1,483,437
Deferred income	(50,542)	(40,090)
Accrued interest	<u>48,721</u>	<u>32,500</u>
Gross loans and advances to customers	2,211,188	1,475,847
Allowance for impairment losses	<u>(117,122)</u>	<u>(82,528)</u>
Total loans and advances to customers	<u>2,094,066</u>	<u>1,393,319</u>

NOTES (continued)

(All amounts are in thousands of Liberian Dollars)

8. Loans and advances to customers (continued)

The allowance for impairment losses is comprised as follows:

	2016	2015
Collective impairment allowance	<u>117,122</u>	<u>82,528</u>
	<u>117,122</u>	<u>82,528</u>

The movement on allowance for impairment losses is as follows:

At January 1	82,528	122,098
Charge for the year	85,375	63,697
Recoveries during the year	(8,425)	(2,705)
Amounts written-off during the year as uncollectible	(62,341)	(98,017)
Currency translation	<u>19,985</u>	<u>(2,545)</u>
At December 31	<u>117,122</u>	<u>82,528</u>

Economic sector risk concentrations within the customer loan portfolio is as follows:

	2016		2015	
	Amount	%	Amount	%
Trade	1,953,048	88.25%	1,286,764	86.74%
Service	130,533	5.90%	128,072	8.63%
Agriculture	256	0.01%	126	0.01%
Manufacturing	85,767	3.88%	-	0.00%
Transportation	6,667	0.30%	-	0.00%
Staff	35,215	1.59%	27,536	1.86%
Consumer	<u>1,523</u>	<u>0.07%</u>	<u>40,939</u>	<u>2.76%</u>
Total (before impairment)	<u>2,213,009</u>	<u>100.00%</u>	<u>1,483,437</u>	<u>100.00%</u>

Loans and advances to customers by product is as follows:

	Gross amount	Impairment	Carrying amount
<u>Year ended December 31, 2016</u>			
Micro credits	1,041,530	87,997	953,533
SME credit	1,133,534	27,568	1,105,966
Other credits	<u>36,124</u>	<u>1,557</u>	<u>34,567</u>
Total loans and advances	<u>2,211,188</u>	<u>117,122</u>	<u>2,094,066</u>
<u>Year ended December 31, 2015</u>			
Micro credits	710,897	(40,815)	670,082
SME credit	736,421	(39,901)	696,520
Other credits	<u>28,529</u>	<u>(1,812)</u>	<u>26,717</u>
Total loans and advances	<u>1,475,846</u>	<u>(82,528)</u>	<u>1,393,319</u>

AccessBank Liberia Limited*Financial statements**For the year ended December 31, 2016***NOTES (continued)**

(All amounts are in thousands of Liberian Dollars)

9. Property and equipment**Year ended December 31, 2016**

	Land and building	Furniture, fixtures and equipment	Motor vehicles	IT Hardware/ Computers	Total
Cost					
At 1 January	266,981	127,815	31,782	64,190	490,768
Additions	31,428	11,633	4,130	2,481	49,672
Disposal	—	(2,427)	(10,622)	—	(13,049)
At 31 December	<u>298,409</u>	<u>137,021</u>	<u>25,290</u>	<u>66,671</u>	527,391
Currency translation differences					
	<u>31,957</u>	<u>7,441</u>	<u>936</u>	<u>2,714</u>	43,048
Accumulated depreciation					
At 1 January	75,611	80,150	23,669	44,857	224,287
Charge for year	22,540	16,766	5,136	6,637	51,079
Released on disposal	—	(2,427)	(10,622)	—	(13,049)
At 31 December	<u>98,151</u>	<u>94,489</u>	<u>18,183</u>	<u>51,494</u>	262,317
Net book amount					
At 31 December	<u>232,215</u>	<u>49,973</u>	<u>8,043</u>	<u>17,891</u>	<u>308,122</u>
Year ended 31 December 2015					
Cost					
At 1 January	229,395	113,210	29,934	59,567	432,106
Additions	37,586	14,605	6,882	4,623	63,696
Disposal	—	—	(5,034)	—	(5,034)
At 31 December	<u>266,981</u>	<u>127,815</u>	<u>31,782</u>	<u>64,190</u>	<u>490,768</u>
Currency translation differences					
	<u>5,364</u>	—	—	—	<u>5,364</u>
Accumulated depreciation					
At 1 January	59,473	64,265	21,718	37,384	182,840
Charge for year	<u>21,502</u>	<u>15,885</u>	<u>1,951</u>	<u>7,473</u>	<u>46,811</u>
At 31 December	<u>80,975</u>	<u>80,150</u>	<u>23,669</u>	<u>44,857</u>	<u>229,651</u>
Net book amount					
At 31 December	<u>191,370</u>	<u>47,665</u>	<u>8,113</u>	<u>19,333</u>	<u>266,481</u>

AccessBank Liberia Limited
Financial statements
For the year ended December 31, 2016

NOTES (continued)

(All amounts are in thousands of Liberian Dollars)

9. Property and equipment (continued)

Profit on disposal

	2016	2015
Cost	13,049	5,034
Accumulated depreciation	(13,049)	-
Net book amount	-	5,034
Proceeds from disposal	<u>(1,075)</u>	(4,946)
Profit on disposal	<u>(1,075)</u>	<u>(88)</u>

10. Intangible assets

Year ended December 31, 2016

	Software	Total
Cost		
At 1 January	192,914	192,914
Additions	<u>57,422</u>	<u>57,422</u>
At 31 December	<u>250,336</u>	<u>250,336</u>
Currency translation differences	<u>4,774</u>	<u>4,774</u>
Accumulated amortization		
At 1 January	128,921	128,921
Charge for year	<u>56,316</u>	<u>56,316</u>
At 31 December	<u>185,237</u>	<u>185,237</u>
Net book amount		
At 31 December	<u>69,873</u>	<u>69,873</u>

NOTES (continued)

(All amounts are in thousands of Liberian Dollars)

10. Intangible assets (continued)

Year ended December 31, 2015

	Software	Total
Cost		
At 1 January	147,051	147,051
Additions	<u>45,863</u>	<u>45,863</u>
At 31 December	<u>192,914</u>	<u>192,914</u>
Accumulated amortization		
At 1 January	88,181	88,181
Charge for year	<u>39,613</u>	<u>39,613</u>
At 31 December	<u>127,794</u>	<u>127,794</u>
Currency translation differences	<u>1,127</u>	<u>1,127</u>
Net book amount		
At 31 December	<u>63,993</u>	<u>63,993</u>

The licenses for the LFS-MBS core banking system are paid for on a number-of-users basis. Each year there are payments for existing and additional users.

11. Current income tax

	At 1 January	Charge to profit or loss	Payments during the year	At 31 December
Year ended December 31, 2016				
Up to 2015	(39,731)	-	(4,455)	(44,186)
2016	<u>-</u>	<u>44,837</u>	<u>(14,332)</u>	<u>30,505</u>
	<u>(39,731)</u>	<u>44,837</u>	<u>(18,787)</u>	<u>13,681</u>
Year ended December 31, 2015				
Up to 2014	(36,654)	-	-	(36,654)
2015	<u>-</u>	<u>10,493</u>	<u>(13,570)</u>	<u>(3,077)</u>
	<u>(36,654)</u>	<u>10,493</u>	<u>(13,570)</u>	<u>(39,731)</u>

NOTES (continued)

(All amounts are in thousands of Liberian Dollars)

12. Deferred income tax

The Bank is subject to income taxes in its jurisdiction. 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 current year deferred tax asset is calculated as the temporary differences of the property and equipment and the intangible assets and the tax losses.

	2016	2015
At 1 January	(35,904)	-
Charge to profit or loss/(credit)	<u>6,045</u>	<u>(35,904)</u>
At December 31	<u>(29,859)</u>	<u>(35,904)</u>

Deferred income tax is attributable to the following items:

Accelerated tax depreciation- Property and equipment	9,179	13,829
Accelerated tax depreciation- Intangible assets	(39,038)	(23,650)
Unutilized tax losses	<u>-</u>	<u>(26,083)</u>
At December 31	<u>(29,859)</u>	<u>(35,904)</u>

13. Other financial assets

Clearing accounts	12,740	2,607
Internal accounts	15,900	3,658
Other receivable	<u>3,824</u>	<u>14,115</u>
	<u>32,464</u>	<u>20,380</u>

14. Other non-financial assets

Prepaid expenses	73,483	112,465
Inventory	<u>13,662</u>	<u>6,780</u>
	<u>87,145</u>	<u>119,245</u>

AccessBank Liberia Limited*Financial statements**For the year ended December 31, 2016***NOTES (continued)**

(All amounts are in thousands of Liberian Dollars)

15. Due to banks and other financial institutions

	2016	2015
Balance at January 1	89,244	88,000
Drawdown during the year	368,687	-
Accrued interest	2,544	1,244
Exchange difference	<u>27,431</u>	<u>-</u>
Balance at December 31	<u>487,906</u>	<u>89,244</u>

The Bank has a loan facility with the European Investment Bank of 1.5 million Euros (convertible to US\$) which bears interest at a rate of 5.39600% per annum with repayments due by December 2018.

Additionally, on December 23, 2016, the bank concluded a two year loan agreement with MicroVest Capital Management LLC. The Loan in the amount of US\$2.3million has a 2 year maturity with an interest rate of 6.5% per annum.

Also on October 20, 2016, the bank received a short term bridge facility from Access Holding AG in the amount of US\$ 560,000 with an interest rate of 7% maturing on January 31, 2017.

16. Deposits from customers

Total customer accounts are distributed as follows:

	2016	2015
Current accounts	513,146	425,746
Savings accounts	1,160,490	1,015,043
Term deposit accounts	446,306	357,546
Accrued interest	11,338	8,414
Other	<u>4,909</u>	<u>33,660</u>
	<u>2,136,189</u>	<u>1,840,409</u>

17. Provisions

Legal obligations	-	5,086
Accrued leave provision	3,082	<u>1,970</u>
	<u>3,082</u>	<u>7,056</u>

AccessBank Liberia Limited
Financial statements
For the year ended December 31, 2016

NOTES (continued)

(All amounts are in thousands of Liberian Dollars)

17. Provisions (continued)

Provisions for legal or constructive obligations include legal cases mainly from clients and former employees. All provisions for untaken vacations are expected to be settled in 2017. Provisions for legal and constructive obligations were settled in 2016.

The movement in provisions is as follows:

	Provision for accrued leave	Provision for legal obligations	Total
Year ended December 31, 2016			
At 1 January	1,970	5,086	7,056
Amount utilised	(1,970)	(5,895)	(7,865)
Additions	3,082	-	3,082
Exchange difference	-	809	809
At December 31	<u>3,082</u>	<u>-</u>	<u>3,082</u>
Year ended December 31, 2015			
At 1 January	2,868	-	2,868
Amount utilised	(2,868)	-	(2,868)
Additions	<u>1,970</u>	<u>5,086</u>	<u>7,056</u>
At December 31	<u>1,970</u>	<u>5,086</u>	<u>7,056</u>

18. Other financial liabilities

	2016	2015
Accounts payable for goods and services	9,692	11,738
Due to LFS GmbH	17,242	19,448
Wages and salaries payable	22,455	10,847
Social security contributions payable	1,796	1,723
Accrued expenses	<u>12,460</u>	<u>6,263</u>
	<u>63,645</u>	<u>50,019</u>

19. Other non-financial liabilities

Accounts payable	<u>33,809</u>	<u>2,524</u>
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NOTES (continued)

(All amounts are in thousands of Liberian Dollars)

20. Share capital and reserves

As at December 31, 2016 the subscribed capital is LRD804,641 thousand which has been fully paid in by the shareholders of the Bank with the following shareholder structure:

	2016			2015		
	Number of shares	Amount	%	Number of shares	Amount	%
Access Holding AG	6,552	540,839	55	6,552	540,839	55
International Finance Corp.	2,231	182,942	19	2,231	182,942	19
European Investment Bank	1,500	127,835	13	1,500	127,835	13
African Development Bank	1,709	137,668	14	1,709	137,668	14
	<u>11,992</u>	<u>804,641</u>	<u>100</u>	<u>11,992</u>	<u>804,641</u>	<u>100</u>

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.

Translation reserve

The translation reserve arises from the translation of the financial statements of the Company using the presentation currency which is different from the functional currency, as disclosed in accounting policy note 2.5.

Retained earnings

The retained earnings represents the amount available for distribution to the members of the Company, subject to regulations imposed by New Financial Institutions Act (FIA) of 1999 and the Prudential Regulations of the Central Bank of Liberia (CBL). Movements in the income surplus account are shown as part of the statement of changes in equity.

Statutory reserve

Section 14-2 (a) of the New Financial Institution Act states that a statutory reserve account shall be maintained. A transfer of 25% out of net profit shall be made to the statutory reserve account each year.

21. Interest income

	2016	2015
Loans and advances to customers	758,927	554,000
Disbursement fee income	111,481	74,637
Cash and balances with banks	585	254
Available-for-sale assets	553	231
Penalty interest	<u>14,978</u>	<u>14,124</u>
	<u>886,525</u>	<u>643,245</u>

22. Interest expense

Loans from banks and other financial institutions	10,265	6,205
Savings accounts	24,044	23,739
Term deposits	<u>17,946</u>	<u>13,506</u>
	<u>52,255</u>	<u>43,450</u>

NOTES (continued)

(All amounts are in thousands of Liberian Dollars)

Interest expense (continued)

Interest expense is payment of interest to interest bearing accounts held for customers by the Bank. The interest rates on savings account is 2.1% to 2.3% (juniors accounts) per annum while on Term Deposit, interest rates ranges from 2% p.a. to 5.5% per annum on Liberian dollar term deposits and 2.5% per annum to 6.0% per annum on US dollar term deposits.

23. Net fee and commission income

	2016	2015
Account maintenance fees	53,429	13,810
International money transfer fees	14,664	8,971
Fees on cash transactions	3,924	2,549
Other account service fees	7,684	9,011
Fees on dormant accounts	8,736	28,400
Fees on cheques	742	1,762
Trade finance and national guarantee fees	892	304
Other fee and commission income	<u>104</u>	<u>5,217</u>
	<u>90,175</u>	<u>70,024</u>
Charges on Nostro accounts	103	(1,859)
International money transfer	967	-
Other fee and commission expense	<u>31</u>	<u>-</u>
	<u>(1,101)</u>	<u>(1,859)</u>
Net fee and commission income	<u>89,074</u>	<u>68,165</u>

Other fee and commission income consists of fees earned from banking services in respect of maintenance fees, check books fees, penalties earned on late payment of loans, fees on instant statements and fees on guarantees.

24. Other gains

	2016	2015
Unrealized gains on currency translations	4,172	176
Gains on forex operations with customers	<u>2,752</u>	<u>2,000</u>
	<u>6,924</u>	<u>2,176</u>

A part of the Bank's operations include the purchase of USD from clients. It also sells USD to some of its loan clients in need of USD to settle their loan obligations. The foreign exchange differences realized is as a result of these transactions.

Revaluation gains/losses on foreign exchange positions result from the devaluation of the LRD against the United States Dollars. During the year the rate of devaluation was around 16% moving from LRD 88:1 USD at December 31, 2015 to LRD 102:1 USD as at December 31, 2016.

NOTES (continued)

(All amounts are in thousands of Liberian Dollars)

25. Net other operating (expense)/income

	2016	2015
Profit on disposal of property and equipment	1,075	88
Litigation settlements	2,836	-
Reimbursement expenses	2,939	1,950
Other operating income	<u>1,376</u>	<u>34,563</u>
	8,226	36,601
Other operating expense	<u>(15,683)</u>	<u>3,562</u>
	<u>(7,457)</u>	<u>33,039</u>

26. Personnel expenses

Salary expenses	300,242	273,545
Employer social security contributions	13,686	13,212
Other personnel expenses	<u>8,330</u>	<u>4,007</u>
	<u>322,258</u>	<u>290,764</u>

Personnel expenses include all expense of salary and wages paid to employees of the Bank. These payments are inclusive of withholding taxes on salaries and also include taxes calculated on expatriate allowances that are paid by the Bank.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly including any Director (whether executive or otherwise) of the Bank. Key management personnel compensation is recognized in personnel expenses and is made up of:

	2016	2015
Short term benefits	5,914	5,404
Other long term benefits	<u>-</u>	<u>-</u>
	<u>5,914</u>	<u>5,404</u>

27. Operating lease expenses

Office rent expenses	<u>17,464</u>	<u>13,845</u>
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28. Depreciation and amortisation expenses

Depreciation (Note 9)	51,079	46,811
Amortization (Note 10)	<u>56,316</u>	<u>39,613</u>
	<u>107,395</u>	<u>86,424</u>

NOTES (continued)

(All amounts are in thousands of Liberian Dollars)

29. Other operating expenses

	2016	2015
Communication	9,335	9,642
Transportation and travelling	17,398	22,847
IT expenses	990	-
Utilities	18,858	20,620
Royalties and maintenance fees	-	3,264
Printing and office supplies	20,921	23,532
Security services	22,581	19,735
Marketing, advertisement and entertainment	3,584	6,478
Repairs and maintenance	9,441	15,815
Audit fee	4,385	4,354
Legal and advisory fees	7,566	11,534
Insurance expenses	4,974	7,171
Consulting fees	57,997	52,912
Property & customs related tax expenses	27,506	23,489
Training	2,001	957
Board expenses	1,009	701
Other expenses	<u>11,222</u>	<u>8,312</u>
	<u>219,768</u>	<u>231,363</u>

30. Income tax expense

Current income tax (Note 11)	44,837	-
Deferred income tax charge /(credit) (Note 12)	<u>6,045</u>	<u>(35,904)</u>
	50,882	<u>(35,904)</u>

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

Tax reconciliation	2016	2015
Profit before income tax	184,726	19,787
Income tax rate of	25%	25%
Expected income tax expense	<u>46,182</u>	<u>4,946</u>
Tax effects of		
Non-deductible expenses	3,703	-
Adjustment in respect of current income tax of prior periods	15,300	-
Other tax effects	<u>(14,303)</u>	<u>(35,904)</u>
	<u>50,882</u>	<u>(35,904)</u>

NOTES (continued)

(All amounts are in thousands of Liberian Dollars)

31. Contingent liabilities and commitments

Contingent liabilities exist for unused overdrafts in the amount of LRD510, 000 (2015: Nil) and LRD2, 040 for not provisioned legal cases.

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

	2016	2015
No later than one year	7,345	6,519
Later than one year and no later than five years	42,499	46,410
Later than five years	<u>13,999</u>	<u>60,687</u>
Total	<u>63,833</u>	<u>113,616</u>

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.

In December 2016 the Bank negotiated a 13 month currency swap deal with Liberia Bank for Development and Investment (LBDI). This deal completed in January 2017 involved the swap of US\$2 million for LR\$210 million at the rate of 10%. The swap termination date is March 10, 2018.

32. Transactions with related parties

The bank has a related party relationship with its parent company. The parent body owns 55% of the total Shareholding of the Bank. A number of business transactions have occurred within the Group. These include the provision of technical assistance to the bank and payment of certain operating and capital expenditures on behalf of the Bank.

The Bank also has related party relations with its other three shareholders, one of which has appointed a representative to serve on the Board. These Board Members are not remunerated by the Bank. The following table provides the total amount of transactions and balances that have been entered into with related parties for the relevant financial year:

	2016	2015
<i>Interest expense</i>		
Access Microfinance Holdings	<u>800</u>	<u>-</u>
<i>Other operating expense</i>		
AB Microfinance Bank Nigeria Limited	<u>155</u>	<u>543</u>
<i>Borrowings</i>		
Access Microfinance Holding AG	<u>57,120</u>	<u>-</u>
<i>Accrued interest</i>		
Access Microfinance Holding AG	<u>800</u>	<u>-</u>
<i>Consulting fees</i>		
LFS Financial System GmbH	<u>57,997</u>	<u>52,912</u>
<i>Royalties and maintenance fees</i>		
LFS Financial Systems	<u>-</u>	<u>4,380</u>

NOTES (continued)

(All amounts are in thousands of Liberian Dollars)

32. Transactions with related parties (continued)

Accounts payable

	2016	2015
AB Microfinance Bank Nigeria Limited	100	518
Access Bank Madagascar	-	170
LFS Financial System GmbH	15,300	15,991
LFS GmbH	<u>1,942</u>	<u>3,065</u>
	<u>17,342</u>	<u>19,744</u>

LFS GmbH

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.

AB Microfinance Bank Nigeria Limited

AB Microfinance Bank Nigeria Limited is owned by AccessHolding AG, Berlin. It is a part of the Global Access network of Banks. AB Microfinance Bank Nigeria Limited provides IT audit hub services to AccessBank Liberia Limited.

AccessBank Madagascar

AccessBank Madagascar is owned by AccessHolding AG, Berlin. It is a part of the global Access network of Banks.

AccessHolding AG

AccessHolding AG, Berlin, Germany, is a shareholder majority shareholder of AccessBank Liberia and is a related party under the terms of IAS 24. AccessHolding AG provides supervisory and technical assistance to AccessBank Liberia (e.g. group accounting, risks, etc.).

Supervisory Board

As of December 31, 2016, the Supervisory Board was comprised of the following members:

Name	Position	Organization
Dr. Bernd Zattler	Chairman	AccessHolding
Monojeet Pal	Member	AfDB
Kyle Lackner	Member	AccessHolding
Claire Clasquin	Member	AccessHolding
Geegbae A. Geegbae	Member	Independent
Duannah Kamara	Member	Independent
Jonas Nyaye	Managing Director/CEO	LFS Financial Sytm.

No loans haven been disbursed to members of the supervisory board. The members of the supervisory board did not receive any compensation.

NOTES (continued)

(All amounts are in thousands of Liberian Dollars)

32. Transactions with related parties (continued)

Management Board

The management board comprises the following members:

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

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

Related party disclosures for management board

Name	Amount Disbursed	Transactional Currency	Disbursed Date	Maturity Date	Principal Balance	Status
Dogba K. Norris, Sr	612	USD	11/17/2016	11/27/2017	569	Current
Vezele K. Gbogie	<u>1,224</u>	USD	10/27/2016	12/27/2018	<u>1,149</u>	Current
Total	<u>1,836</u>				<u>1,718</u>	

Capital Management

Capital Adequacy Ratio

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 section 15 of the New Financial Institutions Act (FIA) 1999 the Bank must maintain a minimum ratio of 10%.

The Bank's Capital Adequacy ratio as at 31 December 2016 is 35.65% (2015: 36.2%)

NOTES (continued)

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

33. Central Bank of Liberia Prudential Regulation and IFRS Impairment

The impairment loss rates on financial assets as per IFRS and the Central Bank of Liberia's (CBL) prudential guidelines are shown below. The IFRS impairment is higher than CBL prudential regulation by LRD 30.744million.

Loan amount analysed per CBL classification

Facility	Current	OLEM	Substandard	Doubtful	Loss
Micro	911,582	49,073	34,069	19,189	27,618
SME	1,084,182	20,821	10,854	6,340	11,337
Staff	<u>34,132</u>	<u>904</u>	<u>324</u>	<u>140</u>	<u>623</u>
Total	<u>2,029,896</u>	<u>70,798</u>	<u>45,247</u>	<u>25,669</u>	<u>39,578</u>

Impairment as per CBL prudential guidelines

Facility	Current	OLEM	Substandard	Doubtful	Loss	Total
Micro	18,036	2,454	6,814	9,594	27,618	64,516
SME	8,663	728	1,185	1,819	8,323	20,718
Staff	<u>341</u>	<u>45</u>	<u>65</u>	<u>70</u>	<u>623</u>	<u>1,144</u>
Total	<u>27,040</u>	<u>3,227</u>	<u>8,064</u>	<u>11,483</u>	<u>36,564</u>	<u>86,378</u>

Impairment as per IFRS

Facility	Current	OLEM	Substandard	Doubtful	Loss	Total
Micro	15,331	14,722	17,034	13,432	27,618	88,137
SME	9,529	3,639	3,557	2,364	8,323	27,412
Staff	<u>580</u>	<u>181</u>	<u>98</u>	<u>91</u>	<u>623</u>	<u>1,573</u>
Total	<u>25,440</u>	<u>18,542</u>	<u>20,689</u>	<u>15,887</u>	<u>36,564</u>	<u>117,122</u>

34. Comparatives

Where necessary comparatives have been presented to conform to the presentation in the current year.

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Introductory Comments

The financial statements for the year ended December 31, 2016 are presented on pages 7 to 58, in accordance with the International Financial Reporting Standard (IFRS). Presented on a supplementary basis in this section on pages 59 to 78 are the corresponding summary financial information denominated in equivalent United States dollars. This presentation is intended for the benefit of readers who may not be adequately familiar with the Liberian dollars.

AccessBank Liberia Limited
Supplementary data
For the year ended December 31, 2016

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

		<u>At December 31</u>	
	Note	2016	2015
Assets			
Cash and bank balances	1	7,917	8,730
Due from other banks	2	4,114	1,738
Loans and advances to customers	3	20,530	15,833
Property and equipment	4	3,021	3,028
Intangible assets	15	685	727
Current income tax asset	6	134	451
Deferred tax asset	7	293	408
Other financial assets	8	318	232
Other non-financial assets	9	<u>854</u>	<u>1,356</u>
Total assets		<u>37,866</u>	<u>32,503</u>
Liabilities			
Due to banks and other financial institutions	10	4,783	1,014
Deposits from customers	11	20,943	20,914
Provisions	12	30	80
Other financial liabilities	13	624	568
Other non-financial liabilities	14	<u>332</u>	<u>29</u>
Total liabilities		<u>26,712</u>	<u>22,605</u>
Equity			
Share capital	15	11,992	11,992
Statutory reserve	15	472	158
Retained earnings	15	<u>(1,310)</u>	<u>(2,252)</u>
Total equity		<u>11,154</u>	<u>9,898</u>
Total liabilities and equity		<u>37,866</u>	<u>32,503</u>

The accompanying notes on pages 65 to 78 form an integral part of these supplementary data.

AccessBank Liberia Limited
Supplementary data
For the year ended December 31, 2016

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

		<u>Year ended December 31</u>	
	Note	2016	2015
Interest income	16	9,402	7,310
Interest expense	17	<u>(550)</u>	<u>(494)</u>
Net interest income before allowance for loan impairment		8,852	6,816
Allowance for loan impairment	3	<u>(806)</u>	<u>(693)</u>
Net interest income after allowance for loan impairment		8,046	<u>6,123</u>
Fee and commission income	18a	949	796
Fee and commission expense	18b	<u>(12)</u>	<u>(21)</u>
Net fee and commission income		<u>937</u>	<u>775</u>
Other gains	19	4	25
Net other operating (expense)/income	20	<u>(73)</u>	<u>375</u>
		<u>(69)</u>	<u>400</u>
Operating income		8,914	7,298
Personnel expenses	21	(3,426)	(3,304)
Operating lease expenses	22	(186)	(157)
Depreciation and amortisation expenses	23	(1,139)	(982)
Other operating expenses	24	(2,327)	<u>(2,628)</u>
Profit before income tax		1,836	225
Income tax (expense)/credit	25	<u>(580)</u>	<u>408</u>
Profit for the year after tax		1,256	633
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>1,256</u>	<u>633</u>

The accompanying notes on pages 65 to 78 form an integral part of these supplementary data.

AccessBank Liberia Limited
Supplementary data
For the year ended December 31, 2016

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

	Issued capital	Retained earnings	Statutory reserve	Total
<u>Year ended December 31, 2016</u>				
At 1 January 2016	11,992	(2,252)	158	9,898
Profit for the year	—	<u>1,256</u>	—	<u>1,256</u>
Total comprehensive income	—	<u>1,256</u>	—	<u>1,256</u>
Total transactions with owners				
Transfer to statutory reserve	—	<u>(314)</u>	<u>314</u>	—
At 31 December 2016	<u>11,992</u>	<u>(1,310)</u>	<u>472</u>	<u>11,154</u>
<u>Year ended December 31, 2015</u>				
At 1 January 2015	11,992	(2,727)	-	9,265
Profit for the year	—	<u>633</u>	—	<u>633</u>
Total comprehensive income	—	<u>633</u>	—	<u>633</u>
Total transactions with owners				
Transfer to statutory reserve	—	<u>(158)</u>	<u>158</u>	—
At 31 December 2015	<u>11,992</u>	<u>(2,252)</u>	<u>158</u>	<u>9,898</u>

The accompanying notes on pages 65 to 78 form an integral part of these supplementary data

AccessBank Liberia Limited
Supplementary data
For the year ended December 31, 2016

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

	Note	Year ended December 31	
		2016	2015
Cash flows from operating activities			
Profit before income tax		1,836	225
<i>Adjustment for:</i>			
Depreciation	23	542	532
Amortization	23	597	450
Allowance for loan impairment		806	693
Gain on disposal of property and equipment	4	(7)	(1)
Unrealized exchange gain		(4)	(2)
Interest income	16	(9,402)	(7,310)
Interest expense	17	550	494
Changes in loans and advances to customers		(4,907)	(642)
Changes in other financial assets		(87)	(296)
Changes in other non-financial assets		501	-
Changes in due to banks and other financial institutions		3,740	(1,221)
Changes in deposits from customers		29	3,799
Changes in provisions		(50)	48
Changes in other financial liabilities		56	-
Changes in other non-financial liabilities		303	(384)
Cash (used in) /generated from operations		(5,497)	(3,615)
Interest received		8,796	6,790
Interest paid		(505)	(445)
Tax paid	6	(148)	-
Net cash generated from operating activities		2,646	2,730
Cash flows from investing activities			
Purchase of property and equipment	4	(540)	(724)
Purchase of intangible assets	5	(555)	(521)
Proceeds from disposal of property and equipment	4	12	58
Net cash used in investing activities		(1,083)	(1,187)
Net increase in cash and cash equivalents		1,563	1,543
Cash and cash equivalents at January 1		10,468	8,925
Cash and cash equivalents at December 31		12,031	10,468

The accompanying notes on pages 65 to 78 form an integral part of these supplementary data.

NOTES TO SUPPLEMENTARY DATA
 (All amounts are in thousands of US Dollars)

1. Cash and cash equivalents

	2016	2015
Cash and bank balances	7,917	8,730
Due from other banks	<u>4,114</u>	<u>1,738</u>
	<u>12,031</u>	<u>10,468</u>
Cash on hand	3,110	2,168
Balances with Central bank (excluding mandatory reserve)	<u>4,807</u>	<u>2,526</u>
Cash and bank balances	7,917	4,694
Restricted central bank accounts (mandatory reserve)	-	3,809
Short term treasury bills (<90 days maturity)	<u>-</u>	<u>227</u>
	<u>7,917</u>	<u>8,730</u>

Mandatory reserve is the mandatory requirements on a percentage of deposit. This was abolished by the Central Bank of Liberia in November 2016.

2. Due from other banks

Short term non-interest bearing balances (<90 days maturity)	4,114	1,235
Short term interest bearing balances (<90 days maturity)	<u>-</u>	<u>503</u>
	<u>4,114</u>	<u>1,738</u>

3. Loans and advances to customers

Loans and advances to customers are broken down as follows:

Outstanding principal	21,696	16,857
Deferred income	(496)	(456)
Accrued interest	<u>478</u>	<u>370</u>
Gross loans and advances to customers	21,678	16,771
Allowance for impairment losses	<u>(1,148)</u>	<u>(938)</u>
	<u>20,530</u>	<u>15,833</u>

NOTES (continued)

(All amounts are in thousands of United States Dollars)

3. Loans and advances to customers (continued)

The allowance for impairment losses is comprised as follows:

	2016	2015
Collective impairment allowance	<u>1,148</u>	<u>938</u>

The movement on allowance for impairment losses is as follows:

At January 1	938	1,490
Charge for the year	896	724
Recoveries during the year	(90)	(31)
Amounts written-off during the year as uncollectible	(564)	(1,216)
Currency translation	<u>(32)</u>	<u>(29)</u>
At December 31	<u>1,148</u>	<u>938</u>

Economic sector risk concentrations within the customer loan portfolio is as follows:

	2016		2015	
	Amount	%	Amount	%
Trade	19,148	88.25%	4,622	67.42%
Service	1,280	5.90%	1,455	21.22%
Agriculture	3	0.01%	1	0.01%
Manufacturing	841	3.88%	-	0.00%
Transportation	65	0.30%	-	0.00%
Staff	345	1.59%	313	4.56%
Consumer	<u>14</u>	<u>0.07%</u>	<u>465</u>	<u>6.79%</u>
Total (before impairment)	<u>21,696</u>	<u>100.00%</u>	<u>6,856</u>	<u>100.00%</u>

Loans and advances to customers by product is as follows:

	Gross amount	Impairment	Carrying amount
<u>Year ended December 31, 2016</u>			
Micro credits	10,211	(863)	9,348
SME credit	11,113	(270)	10,843
Other credits	<u>354</u>	<u>(15)</u>	<u>339</u>
Total loans and advances	<u>21,678</u>	<u>(1,148)</u>	<u>20,530</u>
<u>Year ended December 31, 2015</u>			
Micro credits	8,079	(464)	7,615
SME credit	8,368	(453)	7,915
Other credits	<u>324</u>	<u>(21)</u>	<u>303</u>
Total loans and advances	<u>16,771</u>	<u>(938)</u>	<u>15,833</u>

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

4. Property and equipment

Year ended December 31, 2016

	Land and building	Furniture, fixtures and equipment	Motor vehicles	IT Hardware/ Computers	Total
Cost					
At January 1	3,034	1,452	361	730	5,577
Additions	341	126	45	28	540
Disposal	—	(26)	(118)	—	(144)
At December 31	<u>3,375</u>	<u>1,552</u>	<u>288</u>	<u>758</u>	5,973
Accumulated depreciation					
At January 1	859	911	269	510	2,549
Charge for year	239	177	55	71	542
Disposal	—	(26)	(113)	—	(139)
At December 31	<u>1,098</u>	<u>1,062</u>	<u>211</u>	<u>581</u>	2,952
Net book amount					
At 31 December	<u>2,277</u>	<u>490</u>	<u>77</u>	<u>177</u>	<u>3,021</u>
Year ended December 31 2015					
Cost					
At January 1	2,607	1,286	340	677	4,910
Additions	427	166	78	53	724
Disposal	—	—	(57)	—	(57)
At December 31	<u>3,034</u>	<u>1,452</u>	<u>361</u>	<u>730</u>	5,577
Accumulated depreciation					
At January 1	676	730	247	425	2,078
Charge for year	244	181	22	85	532
Exchange differences	(61)	—	—	—	(61)
Disposal	—	—	—	—	—
At December 31	<u>859</u>	<u>911</u>	<u>269</u>	<u>510</u>	2,549
Net book amount					
At December 31	<u>2,175</u>	<u>541</u>	<u>92</u>	<u>220</u>	<u>3,028</u>

NOTES (continued)

(All amounts are in thousands of United States Dollars)

4. Property and equipment (continued)

Profit on disposal

	2016	2015
Cost	144	57
Accumulated depreciation	(139)	—
Net book amount	5	57
Proceeds from disposal	(12)	(58)
Profit on disposal	<u>(7)</u>	<u>(1)</u>

5. Intangible assets

Year ended December 31, 2016

	Software	Total
Cost		
At January 1	2,192	2,192
Additions	—555	—555
At December 31	<u>2,747</u>	<u>2,747</u>
Accumulated depreciation		
At January 1	1,465	1,465
Charge for year	—597	—597
At December 31	<u>2,062</u>	<u>2,062</u>
Net book amount		
At December 31	<u>685</u>	<u>685</u>

NOTES (continued)

(All amounts are in thousands of United States Dollars)

5. Intangible assets (continued)

Year ended December 31, 2015

	Software	Total
Cost		
At January 1	1,671	1,671
Additions	521	521
Disposal	<u>-</u>	<u>-</u>
At December 31	<u>2,192</u>	<u>2,192</u>
Accumulated depreciation		
At January 1	1,002	1,002
Charge for year	450	450
Adjustments	<u>13</u>	<u>13</u>
At December 31	<u>1,465</u>	<u>1,465</u>
Net book amount		
At December 31	<u>727</u>	<u>727</u>

The licenses for the LFS-MBS core banking system are paid for on a number-of-users basis. Each year there are payments for existing and additional users.

6. Current income tax

	At January 1	Charge to profit or loss	Payments during the year	At December 31
<u>Year ended December 31 2016</u>				
Up to 2015	(451)	-	-	(451)
2016	<u>-</u>	<u>465</u>	<u>(148)</u>	<u>317</u>
	<u>(451)</u>	<u>465</u>	<u>(148)</u>	<u>(134)</u>

NOTES (continued)

(All amounts are in thousands of United States Dollars)

7. Deferred income tax

The Bank is subject to income taxes in its jurisdiction. 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 current year deferred tax asset is calculated as the temporary differences of the property and equipment and the intangible assets and the tax losses.

	2016	2015
At January 1	(408)	-
Charge to profit or loss/(credit)	<u>115</u>	<u>(408)</u>
At December 31	<u>(293)</u>	<u>(408)</u>

Deferred income tax is attributable to the following items:

Accelerated tax depreciation- Property and equipment	90	157
Accelerated tax depreciation- Intangible assets	(383)	(269)
Unutilized tax losses	<u>-</u>	<u>(296)</u>
At December 31	<u>(293)</u>	<u>(408)</u>

8. Other financial assets

Clearing accounts	125	29
Internal accounts	156	41
Other receivable	<u>37</u>	<u>162</u>
	<u>318</u>	<u>232</u>

9. Other non-financial assets

Prepaid expenses	720	1,278
Inventory	134	<u>78</u>
	<u>854</u>	<u>1,356</u>

NOTES (continued)

(All amounts are in thousands of United States Dollars)

10. Due to banks and other financial institutions

	2016	2015
Balance at January 1	1,014	1,000
Drawdown during the year	3,740	-
Accrued interest	<u>29</u>	<u>14</u>
Balance at December 31	<u>4,783</u>	<u>1,014</u>

The Bank has a loan facility with the European Investment Bank of 1.5 million Euros (convertible to US\$) which bears interest at a rate of 5.39600% per annum with repayments due by December 2018.

Additionally, on December 23, 2016, the bank concluded a two year loan agreement with MicroVest Capital Management LLC. The Loan in the amount of US\$2.3 million has a 2 year maturity with an interest rate of 6.5% per annum.

Also on October 20, 2016, the bank received a short term bridge facility from Access Holding AG in the amount of US\$ 560,000 with an interest rate of 7% maturing on January 31, 2017.

11. Deposits from customers

Total customer accounts are distributed as follows:

	2016	2015
Current accounts	5,031	4,838
Savings accounts	11,377	11,535
Term deposit accounts	4,376	4,063
Accrued interest	111	96
Other	<u>48</u>	<u>382</u>
	<u>20,943</u>	<u>20,914</u>

12. Provisions

Legal obligations	-	58
Accrued leave provision	<u>30</u>	<u>22</u>
	<u>30</u>	<u>80</u>

AccessBank Liberia Limited
Supplementary data
For the year ended December 31, 2016

NOTES (continued)

(All amounts are in thousands of United States Dollars)

12. Provisions (continued)

Provisions for legal or constructive obligations include legal cases mainly from clients and former employees. All provisions for untaken vacations are expected to be settled in 2017. Provisions for legal and constructive obligations were settled in 2016.

The movement in provisions is as follows:

	Provision for accrued leave	Provision for legal obligations	Total
Year ended December 31, 2016			
At January 1 2016	22	58	80
Amount utilised	(22)	(58)	(80)
Additions	30	-	30
Exchange difference	-	-	-
At December 31, 2016	<u>30</u>	<u>-</u>	<u>30</u>
Year ended December 31 2015			
At January 1 2015	33	-	33
Amount utilised	(33)	-	(33)
Additions	<u>22</u>	<u>58</u>	<u>80</u>
At December 31 2015	<u>22</u>	<u>58</u>	<u>80</u>

13. Other financial liabilities

	2016	2015
Accounts payable for goods and services	94	127
Due to LFS GmbH	170	227
Wages and salaries payable	220	123
Social security contributions payable	18	20
Accrued expenses	<u>122</u>	<u>71</u>
	<u>624</u>	<u>568</u>

14. Other non-financial liabilities

Accounts payable	<u>332</u>	<u>29</u>
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NOTES (continued)

(All amounts are in thousands of United States Dollars)

15. Equity

Share capital

As at 31 December 2016 the subscribed capital is US\$11,992,000 which has been fully paid in by the shareholders of the Bank with the following shareholder structure:

	2016			2015		
	Number of shares	Amount	%	Number of shares	Amount	%
Access Holding AG	6,552	6,552	55	6,552	6,552	55
European Investment Bank	2,231	2,231	19	2,231	2,231	19
African Development Bank International Finance Corporation	1,500	1,500	12	1,500	1,500	12
	<u>1,709</u>	<u>1,709</u>	<u>14</u>	<u>1,709</u>	<u>1,709</u>	<u>14</u>
	11,992	11,992	100	11,992	11,992	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.

Retained earnings

The retained earnings represents the amount available for distribution to the members of the Company, subject to regulations imposed by New Financial Institutions Act (FIA) of 1999 and the Prudential Regulations of the Central Bank of Liberia (CBL). Movements in the income surplus account are shown as part of the statement of changes in equity.

Statutory reserve

Section 14-2 (a) of the New Financial Institution Act states that a statutory reserve account shall be maintained. A transfer of 25% out of net profit shall be made to the statutory reserve account each year.

16. Interest income

	2016	2015
Loans and advances to customers	8,053	6,295
Disbursement fee income	1,180	848
Cash and balances with banks	6	3
Available-for-sale assets	6	3
Penalty interest	<u>157</u>	<u>161</u>
	9,402	7,310

NOTES (continued)

(All amounts are in thousands of United States Dollars)

17. Interest expense

	2016	2015
Loans from banks and other financial institutions	106	71
Savings accounts	254	270
Term deposits	<u>190</u>	<u>153</u>
Total interest expense	<u>550</u>	<u>494</u>

Interest expense is payment of interest to interest bearing accounts held for customers by the Bank. The interest rates on savings account is 2.1% to 2.3% (juniors accounts) per annum while on Term Deposit, interest rates ranges from 2% p.a. to 5.5% per annum on Liberian dollar term deposits and 2.5% per annum to 6.0% per annum on US dollar term deposits.

18. Net fee and commission income

	2016	2015
Account maintenance fees	563	157
International money transfer fees	155	102
Fees on cash transactions	38	29
Other account service fees	81	102
Fees on dormant accounts	89	323
Fees on cheques	10	20
Trade finance and national guarantee fees	10	3
Other fee and commission income	<u>3</u>	<u>60</u>
	949	796
Charges on Nostro accounts	2	(21)
International money transfer	10	-
Other fee and commission expense	<u>-</u>	<u>-</u>
	<u>(12)</u>	<u>(21)</u>
Net fee and commission income	<u>937</u>	<u>775</u>

Other fee and commission income consists of fees earned from banking services in respect of maintenance fees, check books fees, penalties earned on late payment of loans, fees on instant statements and fees on guarantees.

NOTES (continued)

(All amounts are in thousands of United States Dollars)

19. Other gains

	2016	2015
Unrealized gain/losses on currency revaluations	(25)	2
Gains on forex operations with customers	<u>29</u>	<u>23</u>
Net exchange gain from foreign exchange operations	<u>4</u>	<u>25</u>

A part of the Bank's operations include the purchase of USD from clients. It also sells USD to some of its loan clients in need of USD to settle their loan obligations. The foreign exchange differences realized is as a result of these transactions.

Revaluation gains/losses on foreign exchange positions result from the devaluation of the LRD against the United States Dollars. During the year the rate of devaluation was around 16% moving from LRD 88:1 USD at December 31, 2015 to LRD 102:1 USD as at December 31, 2016.

20. Net other operating (expense)/income

	2016	2015
Profit on disposal of property and equipment	12	1
Litigation settlements	28	-
Reimbursement expenses	29	22
Other operating income	<u>27</u>	<u>393</u>
	96	416
Other operating expense	(169)	<u>(41)</u>
	<u>(73)</u>	<u>375</u>

21. Personnel expenses

Salary expenses	3,192	3,108
Employer social security contributions	146	150
Other personnel expenses	<u>88</u>	<u>46</u>
	<u>3,426</u>	<u>3,304</u>

Personnel expenses include all expense of salary and wages paid to employees of the Bank. These payments are inclusive of withholding taxes on salaries and also include taxes calculated on expatriate allowances that are paid by the Bank.

NOTES (continued)

(All amounts are in thousands of United States Dollars)

21. Personnel expenses (continued)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank directly or indirectly including any Director (whether executive or otherwise) of the Bank. Key management personnel compensation is recognized in personnel expenses and is made up of:

	2016	2015
Short term benefits	<u>58</u>	<u>61</u>

22. Operating lease expenses

Office rent expenses	<u>186</u>	<u>157</u>
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23. Depreciation and amortisation expenses

Depreciation (Note 4)	542	532
Amortization (Note 5)	<u>597</u>	<u>450</u>
	<u>1,139</u>	<u>982</u>

24. Other operating expenses

	2016	2015
Communication	99	110
Transportation and travelling	186	260
IT expenses	10	-
Utilities	200	234
Royalties and maintenance fees	-	37
Printing and office supplies	221	267
Security services	239	224
Marketing, advertisement and entertainment	38	74
Repairs and maintenance	100	180
Audit fee	47	49
Legal and advisory fees	80	131
Insurance expenses	53	81
Consulting fees	625	601
Property, customs related tax expenses	279	267
Training	21	11
Board expenses	11	8
Other expenses	<u>118</u>	<u>96</u>
	<u>2,327</u>	<u>2,630</u>

NOTES (continued)

(All amounts are in thousands of United States Dollars)

25. Income tax expense

	2016	2015
Current income tax (Note 11)	464	-
Deferred income tax charge/(credit) (Note 12)	<u>116</u>	(408)
	<u>580</u>	<u>(408)</u>

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

Tax reconciliation in `000 USD	2016	2015
Profit before income tax	1,836	225
Income tax rate of	25%	25%
Expected income tax expense	459	-
Tax effects of		
Non-deductible expenses	36	-
Income tax expense/(income) from prior periods	150	(521)
Other tax effects	<u>(65)</u>	(113)
Income tax expense	<u>580</u>	<u>(408)</u>

The various tax effects explain the differences between the expected income tax expense of USD 459 thousand (2015: USD(408) thousand) on the basis of provision for expected tax losses due to a tax audit currently being conducted by the Liberia Revenue authority.

26. Contingent liabilities and commitments

Contingent liabilities exist for unused overdrafts in the amount of USD28 (2015: Nil) and USD20 for not provisioned legal cases.

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

	2016	2015
no later than one year	72	64
later than one year and no later than five years	417	455
later than five years	<u>137</u>	<u>595</u>
Total	<u>626</u>	<u>1,114</u>

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.

In December 2016 the Bank negotiated a 13 month currency swap deal with Liberia Bank for Development and Investment (LBDI). This deal completed in January 2017 involved the swap of US\$2 million for LR\$210 million at the rate of 10%. The swap termination date is March 10, 2018.

NOTES (continued)

(All amounts are in thousands of United States Dollars)

27. Transactions with related parties

The bank has a related party relationship with its parent company. The parent body owns 54% of the total Shareholding of the Bank.

A number of business transactions have occurred within the Group. These include the provision of technical assistance to the bank and payment of certain operating and capital expenditures on behalf of the Bank.

The Bank also has related party relations with its other three shareholders, one of which has appointed a representative to serve on the Board. These Board Members are not remunerated by the Bank.

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

	2016	2015
<i>Interest expense</i>		
Access Microfinance Holdings	<u>8</u>	<u>-</u>
<i>Other operating expense</i>		
AB Microfinance Bank Nigeria Limited	<u>2</u>	<u>-</u>
<i>Borrowings</i>		
Access Microfinance Holding AG	560	<u>-</u>
<i>Accrued interest</i>		
Access Microfinance Holding AG	<u>8</u>	<u>-</u>
<i>Consulting fees</i>		
LFS Financial System GmbH	625	<u>601</u>
<i>Royalties and maintenance fees</i>		
LFS Financial Systems	<u>-</u>	<u>37</u>
<i>Accounts payable</i>		
AB Microfinance Bank Nigeria Limited	1	5
Access Bank Madagascar	-	2
LFS Financial System GmbH	150	182
LFS GmbH	<u>19</u>	<u>38</u>
	170	<u>227</u>