ACCESSBANK LIBERIA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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CORPORATE INFORMATION

Directors	Mr. Bernd Zattler	Chairman
	Prof. Geegbae A. Geegbae	Director
	Mr. Narciso Tan	Managing Director *(Appointed on May 20,2020, approved by CBL on July 28,2020)*
	Mr. Jonas Nyaye	Managing Director *(Resigned on June 30, 2020)*
	Ms. Claire Clasquin	Director
	Dr. Rolf Reichardt	Director
	Dr. Anthony Okon Nyong	Director *(Resigned on 21 February 2020)*
	Mr. Bleming Nekati	Director *(Appointed on October 28, 2020, approved by CBL on March 31,2021)*
	Mr. Konah Douglas Karmo	Director *(Appointed on February 19, 2021, approved by CBL on August 10,2021)*

Registered Office
AccessBank Liberia Limited
20th Street, Sinkor
Monrovia

Auditors
KPMG
Chartered Accountants
13 Yiyiwa Drive, Abelenkpe
P.O.Box GP 242
Accra

Parker & Company LLC
Certified Public Accountants
81 Sekou Toure Ave.
P.O.Box 1921, Mamba Point
Monrovia, Liberia

Company Secretary
Cllr. Gidu Johnson
20th Street, Sinkor
Monrovia

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
ACCESSBANK LIBERIA LIMITED

The Directors present their report and the financial statements of AccessBank Liberia Limited ("the Bank")for the year ended 31 December 2020.

Directors' responsibility statement

The Directors are responsible for the preparation of the financial statements that give a true and fair view of AccessBank Liberia Limited, comprising the statement of financial position at 31 December 2020, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Associations Law, Title 5, Liberia Code of Laws Revised and the New Financial Institutions Act of 1999. In addition, the Directors are responsible for the preparation of the Report of the Directors.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

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

Name of Board Committee	Committee Members	Summary of Terms of Reference	Frequency of Meetings
Asset and liability committee (ALCO)	**Chairman:** Prof. A. Geegbae **Members:** Dr. Rolf Reichardt Dr. Bernd Zattler	Meet to discuss asset and liability issues	Quarterly
Board credit committee	**Chairman:** Dr. Rolf Reichardt **Members:** Mr Bleming Nekati (nominated) Ms. Claire Clasquin	Review and discuss credit report and credit issues	Quarterly
Board risk management committee	**Chairman:** Dr. Rolf Reichardt **Members:** Ms. Claire Clasquin Mr Bleming Nekati (nominated)	Review and discussion of risk reports and risk management issues	Quarterly
Audit committee	**Chairman:** Prof. A. Geegbae **Members:** Ms. Claire Clasquin Dr. Rolf Reichardt	Review and discussion of audit reports and audit activities. Complaince matters are also discussed in committee meetings.	Quarterly

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
ACCESSBANK LIBERIA LIMITED (CONT'D)

Principal activities

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

Parent company

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

Going concern and subsequent events

The Bank incurred a loss of L$8,188,000 (2019: profit of L$173,135,000) for the year ended 31 December 2020.

The Bank is yet to meet the statutory minimum capital requirements (defined as the total equity of the Bank) prescribed by the Central Bank of Liberia of US$10,000,000. As at 31 December 2020, the minimum capital of the Bank stood at L$6,497 million (US$9,619,517) which is below the statutory minimum capital of US$10,000,000. The Bank has been in breach of this requirement since 2018. The breach may lead to the revocation of the Bank's license to operate in accordance with section 11(1) of the New Financial Institutions Act of 1999.

During the year, the Central Bank of Liberia performed a regulatory review and noted that the Bank was in breach of the minimum capital requirement. The Bank requested for ample time to make sufficient profit to augment their capital, however, the Central Bank of Liberia is yet to respond to the Bank's request.

The Directors of the Bank are confident that the Bank will make enough profit in the next financial period to augment the existing equity to enable it to meet the regulatory requirement of a minimum capital of US$10,000,000.

The parent company, Access Microfinance Holding AG, has confirmed its financial support to AccessBank Liberia Limited in 2021 through direct funding up to US$1,000,000, if and as needed to ensure its continued compliance with applicable banking regulations or other obligations, subject in each case to the requisite approvals by the responsible corporate bodies of AccessHolding.

The Directors acknowledge that the Bank's ability to continue to operate as a going concern is dependent on:

- The Regulator providing the Bank with ample time to augment its capital and not revoking the Bank's license before the Bank is able to meet the minimum capital requirement.
- The Bank making enough profit to augment its existing equity in the subsequent year to meet the regulatory requirement.
- The financial support from the parent company in the event that the Bank is unable to generate sufficient profit in the subsequent year.

These conditions gives rise to a material uncertainty which may cast significant doubt on the Bank's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

REPORT OF THE DIRECTORS
TO THE MEMBERS OF
ACCESSBANK LIBERIA LIMITED (CONT'D)

Financial statements review

The financial results of the Bank for the years ended 31 December 2020 and 31 December 2019 are set out in the financial statements, highlights of which are as follows:
(All amounts are in thousands of Liberian Dollars)

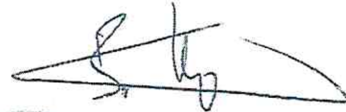
	2020	2019
(Loss)/profit before tax	(6,893)	271,009
(Loss)/ profit after tax	(8,188)	173,135
Total Assets	6,497,004	7,335,502
Total Liabilities	4,925,000	5,528,164
Total Equity	1,572,004	1,807,338

The Directors do not recommend the payment of dividend for the year ended 31 December 2020 (2019: Nil).

Approval of the Report of the Directors

The Report of the Directors of AccessBank Liberia Limited were approved by the Board of Directors on 02 September 2021 and signed on their behalf by

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



Name of director: Mr. Narciso Tan **Signature:**

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF ACCESSBANK LIBERIA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AccessBank Liberia Limited ("the Bank"), which comprise the statement of financial position at 31 December 2020, the statements of comprehensive income, changes in equity, and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 10 to 79.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Associations Law, Title 5, Liberian Code of Laws Revised and the New Financial Institution Act of 1999.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 41 of the financial statements, which indicates that the Bank incurred a loss of L$8,188,000 for the year ended 31 December 2020 and as at that date, the Bank was yet to meet the statutory minimum capital requirement of the L$ equivalent of US$10,000,000. As stated in Note 41, these events or conditions, along with other matters as set forth in Note 41, indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit matters

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

Impairment allowance on loans and advances to customers
Refer to note 18 and note 36 to the financial statements

Key audit matter

The expected credit losses ('ECL') calculation involves significant judgement and estimates. There is increased risk of material misstatement of ECL in the current year due to the increased judgment and estimation uncertainty as a result of COVID-19.

At 31 December 2020 the Bank reported total gross loans of L$2,133 million (L$3,365 million at 31 December 2019) and impairment allowance of L$416 million (L$645million at 31 December 2019).

The Bank is required to recognize expected credit losses (ECL) on financial instruments which involves significant judgment and estimates to be made by the bank.

The carrying amount of financial instruments within the scope of IFRS 9 may be materially misstated if judgements or estimates made by the Bank are inappropriate.

Key judgements and estimates in respect of the timing and measurement of expected credit losses include:

- Economic scenarios – IFRS 9 requires the Bank to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Significant management judgement is applied to determining the economic scenarios used, particularly in the context of COVID-19, and the probability weightings applied.
- Significant Increase in Credit Risk ('SICR') – the criteria selected to identify a significant increase in credit risk (including the impact of COVID-19 on loans) is a key area of judgement within the Bank's ECL calculation as these criteria determine whether a 12 month or lifetime provision is recorded.
- ECL estimations – Inherently judgmental modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD'). The PD models used are the key drivers of the Bank's ECL results and are therefore the most significant judgmental aspect of the Bank's ECL modelling approach.
- Adjustments to the model driven ECL results are raised by management to address known impairment model limitations, model responsiveness or emerging trends relating to COVID-19. Such adjustments are inherently uncertain and significant management judgement is involved in estimating these amounts.
- Disclosure quality - the disclosures regarding the Bank's application of IFRS 9 are key to understanding the key judgements and material inputs to the IFRS 9 ECL results.

Given the high degree of estimation uncertainty and significance of the balance, we considered impairment allowances on loans and advances to be a key audit matter.

How the matter was addressed in the audit

Based on our risk assessment and industry knowledge, we have examined the impairment charges for loans and advances to customers and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter.

Our procedures included:

- Assessing and testing the design, implementation and operating effectiveness of key controls over the capture, monitoring and reporting of loans and advances to customers.
- Assessing and testing the design and operating effectiveness of controls over the Bank's loan impairment process regarding management's review process over impairment calculations.
- Using model specialists to independently assess and substantively validate the impairment models by re-performing calculations and agreeing sample of data inputs to source documentation.
- Assessing the ongoing effectiveness of the SICR criteria the impact of COVID-19 through loan file reviews and independently determining the staging of the Bank's loans and advances portfolio..
- Assessing whether key data inputs used in the ECL calculation are complete and accurate through testing a sample of relevant data fields and their aggregate amounts against data in the source system.
- Sample testing over key inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and PD, LGD and EAD assumptions applied.
- Assessing the appropriateness of overlays (qualitative adjustments) to model driven ECL by taking into consideration the judgement and estimates the bank has made.
- Assessing the appropriateness of individual exposures of clients with impairment indicators by evaluating the Bank's recoverability assessment of loans and advances for these customers.

Considering the adequacy of the Bank's disclosures in relation to impairment about changes in estimates occurring during the period and its sensitivity to key assumptions. In addition, we assessed whether the disclosure of the key judgements and assumptions made, including COVID-19 related disclosures, was reasonable.

Other Information

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

Responsibilities of the Directors for the Financial Statements

The 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 Associations Law, Title 5, Liberia Code of Laws Revised and the New Financial Institutions Act of 1999, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Section 70.135 (1) of the Associations Law, Title 5, Liberian Code of Laws Revised and Section 21(1) (a) of the New Financial Institution Act of 1999

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

In our opinion, the statement of financial position is properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs according to the best of our information and the explanations given to us and as shown by the books of the Bank.

The engagement partners on the audit resulting in this independent auditors' report are P. Ernest Parker, Jr on behalf of Parker and Company LLC and Ekow Annobil (ICAG/P/1624) on behalf of KPMG:

KPMG
....
KPMG: (ICAG/F/2021/038)
CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE, ABELENKPE:
P O BOX GP 242
ACCRA, GHANA

02 September 2021

Parker & Company, LLC
....
PARKER AND COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS
P O BOX 1921, MAMBA POINT
MONROVIA
LIBERIA

02 September 2021

STATEMENT OF FINANCIAL POSITION

(All amounts in thousands of Liberian Dollars)

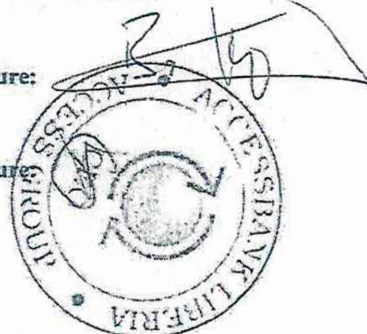
		At December 31	
		2020	2019
Assets	Note		
Cash and cash equivalents	14	2,718,880	1,721,122
Investment securities at amortized cost	15	373,542	583,354
Loans and advances to banks	16	623,857	1,098,852
Financial assets at fair value through profit or loss	17	-	138,675
Loans and advances to customers	18	1,716,932	2,720,304
Other financial assets	23	206,665	49,519
Other non-financial assets	24	36,681	33,949
Current income tax asset	21	112,791	103,028
Property and equipment	19	557,351	724,617
Intangible assets	20	116,695	147,458
Deferred income tax asset	22	33,610	14,624
Total assets		6,497,004	7,335,502
Liabilities			
Loans from banks and other financial institutions	25	1,074,943	1,764,422
Deposit from customers	26	3,427,687	3,426,289
Other financial liabilities	28	70,401	88,943
Financial liabilities at fair value through profit or loss	17	141,133	-
Other non-financial liabilities	29	60,194	75,863
Provisions	27	9,147	4,896
Lease liabilities	30	141,495	167,751
Total liabilities		4,925,000	5,528,164
Equity			
Share capital	31	804,641	804,641
Statutory reserve		93,218	93,218
Translation reserve		1,018,816	1,245,962
Retained earnings		(344,671)	(336,483)
Total equity		1,572,004	1,807,338
Total liabilities and equity		6,497,004	7,335,502

The accompanying notes on pages 14 to 79 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 02 September 2021 and signed on its behalf by:

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

Name of Director: Mr. Narciso Tan **Signature:**



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

	Note	Year ended December 31 2020	2019
Interest income using the effective interest method	3(a)	1,303,625	1,467,437
Interest income on financial instruments at fair value through profit or loss	3(b)	16,297	11,944
Interest expense	4	(246,779)	(253,186)
Net interest income		1,073,143	1,226,195
Impairment charge on financial assets	5	(152,830)	(235,984)
Net interest income after impairment charge on financial assets		920,313	990,211
Fee and commission income	6	189,999	208,939
Fee and commission expense	6	(12,553)	(5,796)
Net result from foreign exchange operations	7	23,476	149,157
(Loss)/gain on financial instruments at fair value through profit or loss	8	(68,947)	71,301
Net operating income		1,052,288	1,413,812
Other operating income	9	169,949	69,380
Total operating income		1,222,237	1,483,192
Personnel expenses	10	(513,402)	(462,562)
Depreciation and amortization	19,20	(167,546)	(151,268)
Other administrative expenses	11	(538,545)	(584,350)
Other operating expense	12	(9,637)	(14,003)
(Loss)/profit before income tax		(6,893)	271,009
Income tax expense	13	(1,295)	(97,874)
(Loss)/profit for the year		(8,188)	173,135
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Foreign exchange difference on translation		(227,146)	263,784
Total comprehensive income		(235,334)	436,919

The accompanying notes on pages 14 to 79 form an integral part of these financial statements.

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

	Note	Share capital	Statutory reserve	Retained Earnings	Translation reserve	Total equity
Year ended December 31, 2020						
At January 1, 2020		804,641	93,218	(336,483)	1,245,962	1,807,338
Loss for the year		-	-	(8,188)	-	(8,188)
Exchange difference on translation		-	-	-	(227,146)	(227,146)
Total comprehensive income		-	-	(8,188)	(227,146)	(235,334)
At December 31, 2020		804,641	93,218	(344,671)	1,018,816	1,572,004
Year ended December 31, 2019						
At January 1, 2019		804,641	49,934	(466,334)	982,178	1,370,419
Profit for the year		-	-	173,135	-	173,135
Exchange difference on translation		-	-	-	263,784	263,784
Total comprehensive income		-	-	173,135	263,784	436,919
Transfers to statutory reserve	39	-	43,284	(43,284)	-	-
At December 31, 2019		804,641	93,218	(336,483)	1,245,962	1,807,338

The accompanying notes on pages 14 to 79 form an integral part of these financial statement

STATEMENT OF CASH FLOWS

(All amounts in thousands of Liberian Dollars)

	Note	Year ended December 31 2020	2019
(Loss)/profit before income tax		(6,893)	271,009
Adjustments for non-cash items:			
Losses/(Gains) on financial assets at fair value through profit or loss	8	68,947	(71,301)
Impairment charge on financial assets	5	152,830	235,984
Exchange difference		(154,111)	(149,157)
Depreciation and amortization	19,20	167,546	151,268
Profit from disposal of property and equipment	19	(1,914)	(656)
Interest income	3(a,b)	(1,319,922)	(1,479,381)
Interest expense	4	246,779	253,186
		(846,738)	(789,048)
Changes in working capital			
Loans and advances to customers		841,239	(206,493)
Loans and advances to banks		274,539	(406,701)
Other financial assets		(157,146)	115,390
Other non-financial assets		(2,732)	89,644
Loans from banks and other financial institutions		(674,103)	355,505
Deposit from customers		(3,212)	(11,678)
Other liabilities		(34,211)	52,192
Financial asset at fair value through profit or loss		230,364	84,967
Provisions		4,519	-
Cash used in operating activities		(367,481)	(716,222)
Interest received		1,416,648	1,346,900
Income tax paid	21	(30,044)	(35,204)
Interest paid		(279,328)	(360,838)
Net cash from operating activities		739,795	234,636
Cash flow from investing activities			
Purchase of property and equipment	19	(40,935)	(58,074)
Purchase of intangible assets	20	(25,729)	(67,024)
Proceed from disposal of property and equipment	19	2,351	656
Proceeds from investment securities		400,000	-
Purchase of investment securites		-	(400,000)
Net cash from/(used in) investing activities		335,687	(524,442)
Cash flow from financing activities			
Payment of lease liabilities	30	(5,831)	(4,686)
Net cash used in financing activities		(5,831)	(4,686)
Net decrease in cash and cash equivalents		1,069,651	(294,492)
Cash and cash equivalents at January 1		1,908,257	1,948,586
Effects on changes in exchange rate on cash and cash equivalent held		972	254,163
Cash and cash equivalents at December 31	14	2,978,880	1,908,257

The accompanying notes on pages 14 to 79 form an integral part of these financial statements.

NOTES

1. Reporting Entity

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

2. Accounting policies

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

2.1 Basis of preparation and measurement

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

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

Functional and presentation currency

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

2.2 Changes in accounting policies

The following standards which became effective from 1 January 2020 do not have a material effect on the Bank's financial statements

a. Amendments to References to Conceptual Framework in IFRS Standards

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

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

NOTES (CONTINUED)

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

b. Definition of material (Amendments to IAS 1 and IAS 8)

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

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

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

The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change -the refinements are not intended to alter the concept of materiality.

c. Interest rate benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The amendments are effective from 1 January 2020. Early application is permitted. It is not expected that this will impact the Bank significantly.

d. Definition of a Business (Amendment to IFRS 3)

Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3.

In October 2018 the IASB issued this amendment to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

- Confirm that a business must include inputs and a process, and clarified that: (i) the process must be substantive and (ii) the inputs and process must together significantly contribute to creating outputs.
- Narrow the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- Add a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

NOTES (CONTINUED)

2.3 Standards and interpretations issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Bank does not plan to early adopt these Standards. The Bank is yet to assess the impact of these standards on the financial statements.

a. *COVID-19-Related Rent Concessions (Amendments to IFRS 16)*

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession.

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; *(a subsequent amendment released in March 2021 has extended this date to 30 June 2022)* and
- no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

The original version of the practical expedient was, and remains, optional. However, the subsequent amendment is, in effect, not optional. This is because a lessee that chose to apply the practical expedient introduced by the 2020 amendment would have to consistently apply the extension to similar rent concessions.

The subsequent amendment is applicable retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings. The disclosure requirements of Paragraph 28(f)1 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors do not apply on initial application of the subsequent amendment. Lessees may need to reverse previous lease modification accounting if a rent concession was ineligible for the original practical expedient under the 2020 amendment but becomes eligible as a result of the extension.

The Bank is yet to determine the impact of this standard on its financial statements.

The amendments are effective for periods beginning on or after 1 June 2020 (the subsequent amendment is effective on or after 1 April 2021), with earlier application permitted. A lessee applies the amendments retrospectively and recognises the cumulative effect of initially applying them in the opening retained earnings of the reporting period in which they are first applied.

b. *Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37)*

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, issued by the International Accounting Standards Board, clarify that the 'costs of fulfilling a contract' when assessing whether a contract is onerous comprise both:

- the incremental costs – e.g. direct labour and materials; and
- an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

NOTES (CONTINUED)

The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments will be recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives will not be restated. Earlier application is permitted.

c. ***Annual Improvements to IFRS Standards 2018-2020***

IFRS 9 Financial Instruments	The amendment clarifies that for the purpose of performing the ''10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
IFRS 16 Leases	The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier application permitted.

d. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Proceeds from selling items before the related item of property, plant and equipment is available for use should be recognised in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of property, plant and equipment is available for use; and
- costs associated with making the item of property, plant and equipment available for its intended use.

Making this allocation of costs may require significant estimation and judgement.

The amendments apply for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

NOTES (CONTINUED)

e. Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendment has:

- updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- added to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination and
- added to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

***f. Definition of accounting estimates* (Amendments to IAS 8)**

Distinguishing between accounting policies and accounting estimates is important because changes in accounting policies are generally applied retrospectively, while changes in accounting estimates are applied prospectively.

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates.
- Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The effects of changes in inputs and/or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The Bank is yet to determine the impact of this standard on its financial statements.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

***g. Disclosure Initiative: Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2)**

Making information in financial statements more relevant and less cluttered has been one of the key focus areas for the International Accounting Standards Board (the Board).

NOTES (CONTINUED)

The Board has issued amendments to IAS 1 *Presentation of Financial Statements* and an update to IFRS Practice Statement 2 *Making Materiality Judgements* to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed;
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements;
- accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are consistent with the refined definition of material.

The Bank is yet to determine the impact of this standard on its financial statements.

The amendments are effective from 1 January 2023 but may be applied earlier.

h. Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)

The amendment clarifies that the initial recognition exemption does not apply to transactions that give rise to equal and offsetting temporary differences such as leases and decommissioning obligations. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The Bank is yet to determine the impact of this standard on its financial statements.

The amendments are effective from 1 January 2023 but may be applied earlier.

2.4 Significant accounting judgements, estimates and assumptions

COVID-19 considerations

Paragraph 125 of IAS 1 requires disclosure about the assumptions that a Bank makes about the future and other sources of estimation uncertainty at the reporting date that have a significant risk of resulting in a material adjustment within the next financial year. COVID-19 is to significantly impact such assumptions. During the pandemic, the Bank faced significant disruption to business operations and economic activity, particularly where there has been implementation of stringent measures to contain or reduce the spread of the virus, with cascading impacts on both upstream and downstream supply chains; a more volatile capital, commodity and foreign exchange markets; and disrupted business relations with companies that operate in the non-essential sectors as determined by the Central Government.

The above economic and business impacts will have significant and pervasive financial reporting implications on financial statements resulting in increased complexity, subjectivity and uncertainty which will impact the recognition, measurement, presentation and disclosure in the financial statements including but not limited to increased estimation uncertainty and changes to estimation techniques and assumptions for measuring ECL, measuring fair values of financial instruments, and recognising deferred tax assets.

NOTES (CONTINUED)

No impairment has been recognised on non-financial assets specifically property and equipment as there has been no indicators of impairment such as market value decline, obsolescence or physical damage, worse economic performance than expected among others. Management has therefore assessed that the assets useful life, depreciation method or residual value as earlier determined remains the same.

In preparing these financial statements, Management made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts. Actual results may sometimes differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis.

Judgements

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

Assumptions and estimation uncertainties

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

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

(i) Measurement of expected credit loss allowance

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

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

(ii) Fair value of financial Instruments

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

(iii) Income taxes

The Bank recognizes deferred income tax assets only to the extent that it is probable that taxable profits will be available against which the tax-reducing effects can be utilized. Judgement is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits. The profit projection is based on the bank’s 5 year business plan as of December 2020 which reflects management’s best estimate on future taxable profits.

NOTES (CONTINUED)

2.5 Summary of significant accounting policies

a) Foreign currency translation

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

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

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

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

The following closing exchange rates were applied in these financial statements.

1 USD equals	Abbreviation	31.12.2020	31.12.2019
Liberian Dollar	L$	163.42	186.91

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

- Assets and liabilities are translated at the closing exchange rate of the reporting date
- Income and expenses are translated at the exchange rate at the date of the transaction.

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

b) Financial instruments

Initial recognition and measurement
The Bank initially recognises loans and advances, deposits and debt securities on the date on which they are originated. All other financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Bank commits to purchase or sell the asset.

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

NOTES (CONTINUED)

(i) Financial assets

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

The classification requirements for debt instruments are described below:

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

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

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

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

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

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

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

NOTES (CONTINUED)

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

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

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

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

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

Measurement of ECL

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

They are measured as follows:

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

NOTES (CONTINUED)

Restructured financial assets

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

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

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

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default or past due event;
– the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

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

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

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

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

NOTES (CONTINUED)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

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

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

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

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

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

Derecognition other than for substantial modification

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial assets at fair value through profit or loss – subsequent measurement

These are subsequently measured at fair value. Net gains or losses, including any interest income are recognised in profit or loss.

NOTES (CONTINUED)

(ii) Financial liabilities

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

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

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

Modification

The bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(iii) Determination of fair value

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

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

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

NOTES (CONTINUED)

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

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

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

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

(iv) Write-offs

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

Recoveries of amounts previously written off are included in 'impairment loss on financial assets' in the statement of comprehensive income. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(v) Forborne and modified loans

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

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

NOTES (CONTINUED)

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

- Principal and interest repayments on the loan have been repaid without any overdue over the six-month period. In case of forbearance, where the client is allowed to service only interest for some months before paying principal instalments, the six-month period will begin from the date the first principal payment is due. If the loan is changed into a bullet repayment loan with the entire outstanding principal amount repayable at the end, then the loan cannot be reclassified out of the forborne category.
- At the end of the six-month period, the Bank's Recovery Committee must conduct further assessment of the client's repayment capacity to determine that no quantitative or qualitative impairment remains
- If modifications are substantial, the loan is derecognized, as explained in Note 2.5(b)(i) to Forborne and modified loans.

(vi) Collateral and other credit enhancements

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

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

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

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

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

The principal collateral types for loans and advances are:

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

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

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

NOTES (CONTINUED)

(vii) Interest income and expense

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

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

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

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

Interest expense presented in the statement of comprehensive income includes:
- interest on financial liabilities measured at amortised cost
- interest expense on lease liabilities
- Interest income and expense on all trading assets and liabilities

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

(viii) Derivative assets and liabilities

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

a) Offsetting financial instruments

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

NOTES (CONTINUED)

b) Fees and commission

Fees and commissions are recognized on an accrual basis when the service has been provided. Loan disbursement fees for loans are deferred (together with related direct costs) and recognized as part of the effective interest rate of the loan. If the financial instrument is carried at fair value through profit or loss, any associated fees are recognized in profit or loss when the instrument is initially recognized, provided there are no significant unobservable inputs used in determining its fair value. The bank provides services such as account management, ATM cards, services fees, money transfers etc. Fees from onging account management are charged to the customer's account on a monthly basis. The bank sets rates on which theses charges are based on. Revenue from account management is recognised over time as the services are provided.
Transaction based fees such as charges on money transfers, cheque books, replacement of lost cards are charged to the customer's account when the transaction takes place. Revenue related to transactions is recognised at the point in time when the transaction takes place.

c) *Cash and cash equivalents*

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

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

d) *Property and equipment*

(i) Recognition and measurement

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

(ii) Subsequent costs

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

NOTES (CONTINUED)

(iii) Depreciation

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

• Land and Buildings(including leasehold improvement)	15–40 years (Shorter of lease term or useful life of 15 years for leasehold improvement)
• Computer equipment	2–5 years
• Furniture, fixtures and equipment	5–10 years
• Motor vehicles	3–5 years

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

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

e) Intangible assets

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

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

• Software	3-15 years

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

f) Impairment of non-financial assets

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

NOTES (CONTINUED)

Impairment losses are recognised in profit or loss..

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

g) Current and deferred income tax

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

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

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

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

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

h) Other financial assets, other financial liabilities

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

i) Financial guarantees

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

NOTES (CONTINUED)

j) Provisions, contingent liabilities and loan commitments

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

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

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

k) **Leases**

Bank acting as a lessee

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Initial Recognition and Measurement

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right-of-use asset is initially measured at cost, comprising the initial amount of lease liability adjusted for any lease payment made at or prior to commencement date, plus any initial direct cost plus estimate of the cost to dismantle and remove any improvement made to branches or office premise less any lease incentives received. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

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

Subsequent measurement

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

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

NOTES (CONTINUED)

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

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

l) Share capital

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

m) Employment benefits

Defined contribution plans

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

Short-term benefits

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

n) Government grant

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

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

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

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

	2020	2019
Interest income from loans and advances to customers	1,131,534	1,381,957
Interest income from balances with banks	41,924	42,188
Interest income from investment securities	130,167	43,292
	1,303,625	1,467,437

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

	2020	2019
Interest income on financial instruments at fair value through P&L	16,297	11,944

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

	2020	2019
Interest expense on loans from banks and other financial institutions	86,651	110,045
Interest expense on term deposits	37,557	28,437
Interest expense on savings accounts	35,211	31,361
Interest expense on lease liability	26,086	24,972
	185,505	194,815

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

	2020	2019
Interest expense on financial instruments at fair value through P&L	61,274	58,371
Total interest expense	246,779	253,186

5. Impairment charge on financial assets

	2020	2019
Impairment for loan losses:		
Impairment allowance – Stage 1 and Stage 2	(67,481)	36,864
Impairment allowance – Stage 3	234,618	262,239
Gross impairment for loan losses	167,137	299,103
Income from recovery of previously written-off loans	(14,307)	(18,377)
Net impairment for loan losses	152,830	280,726
Impairment (release)/charge on other financial assets	-	(44,742)
	152,830	235,984

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

6. Net fee and commission income

	2020	2019
Fee and commission income from cash transactions	604	5,714
Fee and commission income from account maintenance	76,166	96,742
Fee and commission income from international money transfers	2,256	29
Fee and commission income on cheques	1,909	5,874
Other account service fees	22,267	26,816
Fees from dormant accounts	50,127	48,524
Fees from trade finance and national guarantees	272	72
Other fee and commission income from customers	36,398	25,168
Fee and commission income	189,999	208,939
Fee and commission expense on nostro accounts	(8,788)	(5,796)
Other fees	(3,765)	-
Fee and commission expense	(12,553)	(5,796)
Net fee and commission income	177,446	203,143

7. Net loss on foreign exchange trading

	2020	2019
Gains/(losses) from foreign exchange operations with customers	720	(8,433)
Losses from currency revaluations	22,756	157,590
	23,476	149,157

8. (Loss)/Gain on financial instruments at fair value through profit or loss

	2020	2019
(Loss)/gains on financial instruments at fair value through profit or loss	(68,947)	71,301

The net gain or losses from financial instruments at fair value through profit or loss is attributable to derivatives which were purchased for currency hedging purposes but did not qualify for hedge accounting.

9. Other operating income

	2020	2019
Profit on disposal of property and equipment (note 19)	1,914	656
Income from reimbursement of expenses	-	64
Other income	28,364	53,873
Income from Grant	56,297	14,787
Withholding tax *	83,374	-
	169,949	69,380

*During the year, the bank recognised withholding tax credit of L$ 83 million (US$ 510,185) on payments made on behalf of Access Microfinance Holding AG from January 1, 2018 to December 31, 2020. The Liberian Revenue Authority granted the credit to the Bank as the withholding tax should not have been paid.

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

10. Personnel expenses

	2020	2019
Salary expenses	470,433	426,517
Social security expenses	31,279	27,678
Other personnel expenses	11,690	8,367
	513,402	462,562

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

Directors' Remuneration		
Salary expenses	17,315	18,619
Social security expenses	1,039	1,117
	18,354	19,736

11. Other administrative expenses

Communication expenses	15,356	18,581
Transport expenses	6,940	6,151
Travel expenses	7,555	11,749
IT expenses	3,889	9,050
Utilities and electricity expenses	48,215	43,017
Royalties and maintenances fees	77,337	67,590
Printing and office supplies	15,341	44,665
Security service expenses	48,691	43,906
Marketing, advertising and entertainment	5,738	17,930
Repair and maintenance	13,135	18,385
Audit fees	8,553	8,349
Legal and advisory expenses	17,804	32,291
Insurance expenses	12,259	14,391
Property tax	7,271	4,977
Training expenses	3,204	14,345
Other service expenses	356	5,120
Board expenses	708	1,153
Expenses for central services from Access Microfinance Holding AG	156,485	145,867
Others	89,708	76,833
	538,545	584,350

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

12. Other operating expenses

	2020	2019
Donation	2,958	11,199
Expenses from litigation	4,599	2,804
Others	2,080	-
	9,637	14,003

13. Income tax expense/ (credit)

	2020	2019
Current tax charge (note 21)	-	-
Current tax – changes in estimates related to prior years (note 21)	20,281	5,416
Deferred tax charge/ (credit) – origination or reversal of temporary differences (note 22)	(18,986)	92,458
	1,295	97,874

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

	2020	2019
Profit/ (Loss) before income tax	(6,893)	271,009
Income tax rate of	25%	25%
	(1,723)	67,752
Tax effects		
Effect of non-tax allowable (income)/expenses	(15,651)	27,404
Tax exempt income	(479)	(164)
Tax incentive	(1,698)	(2,534)
Changes in estimate relating to prior year	20,846	5,416
Income tax expense /(credit)	1,295	97,874
Effective tax rate	19%	36%

The various tax effects explain the differences between the expected income tax credit /(expense) of L$ 1,723 thousand (2019: L$ 67,752 thousand) on the basis of the enacted income tax rate and the actual income tax credit/(expense) of L$ 1,295 thousand (2019: L$ 97,874 thousand).

14. Cash and cash equivalents

	2020	2019
Cash on hand	246,293	234,291
Mandatory reserve deposits with Central Bank of Liberia	774,083	874,166
Balances with Central Bank of Liberia	813,205	526,878
Bank accounts with other banks	885,299	85,787
Cash and bank balances	2,718,880	1,721,122
Loans and advances to banks (90 days or less)	-	187,135
Investment securities (90 days or less)	260,000	-
Cash and cash equivalents in the statement of cash flows	2,978,880	1,908,257

Cash on hand, bank accounts with other banks and balances with Central Bank of Liberia are non-interest-bearing.

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

15. Investment securities

	2020	2019
At amortized cost		
- Short term treasury bills	262,757	475,485
- Government bond	110,785	107,869
	373,542	583,354
Current	373,542	583,354

16. Loans and advances to banks

	2020	2019
Loans and advances to banks	611,189	1,072,863
Accrued interest	12,668	25,989
	623,857	1,098,852
Current	623,857	1,098,852

17. Financial assets / (liabilities) at fair value through profit or loss

	2020	2019
Currency swaps	(141,133)	138,675
Current	(141,133)	138,675

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

			Fair value	
At December 31, 2020	**Nominal amount**	**Net Amount**	**Assets**	**Liabilities**
Currency swaps	608,737	(141,133)	621,332	(762,465)
At December 31, 2019				
Currency swaps	934,550	138,675	946,495	(807,820)

The financial asset at fair value through profit or loss have been presented on a net basis because the parties to the contract have the intent to realize the asset and settle the liability simultaneously. The Bank uses derivatives, not designated in a qualifying hedging relationship, to manage its exposure to foreign currency risk. The instruments used principally is the currency swaps.

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

18. Loans and advances to customers

	2020	**2019**
Loans and advances to customers	2,132,113	3,354,802
Accrued interest on loans and advances to customers	47,743	77,826
Deferred disbursement fees	(46,963)	(67,742)
Gross loans and advances	2,132,893	3,364,886
Allowance for impairment losses	(415,961)	(644,582)
	1,716,932	2,720,304
Current	1,322,650	2,005,528
Non current	394,282	714,776

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

	2020	2019
Trade	1,700,401	2,754,817
Services	220,035	354,340
Agriculture	135,088	2,200
Manufacturing	1,345	170,689
Transportation	19,374	32,381
Staff	55,870	40,375
	2,132,113	3,354,802

There were no loans that were past due and not impaired (2019: Nil).

The allowance for impairment losses was comprised as follows:

	2020	2019
Stage 1 (12-month ECL)	68,698	132,649
Stage 2 (lifetime ECL not credit impaired)	40,186	44,307
Stage 3 (lifetime ECL credit impaired)	307,077	467,626
	415,961	644,582

The allowance for impairment losses were as follows:

	2020	2019
At January 1	644,582	446,941
Charge for the year	167,137	299,103
Currency translation	(49,450)	67,980
Write-offs	(346,308)	(169,442)
At December 31	415,961	644,582

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

19. Property and equipment

Year ended December 31, 2020	Land and buildings	Furniture, fixtures, equipment	Motor vehicles	Computer equipment	Right of use of asset	Total
Cost						
At January 1	695,602	400,348	85,729	163,663	230,949	1,576,291
Additions	6,983	16,540	11,625	5,787	-	40,935
Disposals	-	(13,423)	(21,337)	-	-	(34,760)
Translation difference	(88,057)	(50,396)	(9,113)	(21,030)	(29,026)	(197,622)
December 31	614,528	353,069	66,904	148,420	201,923	1,384,844
Accumulated depreciation						
At January 1	345,316	286,857	62,795	140,639	16,067	851,674
Charge for the year	49,237	37,978	17,247	7,894	16,072	128,428
Released on disposals	-	(13,423)	(20,900)	-	-	(34,323)
Translation difference	(50,657)	(38,748)	(6,688)	(18,227)	(3,966)	(118,286)
December 31	343,896	272,664	52,454	130,306	28,173	827,493
Carrying amount December 31	270,632	80,405	14,450	18,114	173,750	557,351

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

(19) Property and equipment (continued)

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

Profit on disposal of property and equipment

	2020	**2019**
Cost	34,760	8,767
Accumulated depreciation	(34,323)	(8,767)
Carrying amount	437	-
Proceeds from disposal	(2,351)	(656)
Profit on disposal	(1,914)	(656)

There was no indication of impairment of property and equipment held by the Bank at 31 December 2020 (2019: Nil). None of the property and equipment of the Bank had been pledged as security for liabilities and there were no restrictions on the title of any of the Bank's property and equipment at the reporting date and at the end of the previous year. There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2019: Nil).

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

20. Intangible assets

Software	**2020**	**2019**
Cost		
At January 1	660,824	504,284
Additions	25,729	67,024
Currency translation differences	(87,470)	89,516
At December 31	599,083	660,824
Accumulated amortisation		
At January 1	513,366	411,288
Charge for the year	39,118	20,850
Currency translation differences	(70,096)	81,228
At December 31	482,388	513,366
Carrying amount	116,695	147,458

There was no indication of impairment of intangible assets held by the Bank at 31 December 2020 (2019: Nil). None of the intangible assets of the Bank had been pledged as security for liabilities and there were no restrictions on the title of any of the Bank's intangible assets at the reporting date and at the end of the previous year.

21. Current income tax

	At January 1	**Charge/ adjustment for the year**	**Payments during the year**	**At December 31**
2020				
Year of assessment				
Up to 2018	74,997	(20,281)	-	54,716
2019	28,031	-	-	28,031
2020	-	-	30,044	30,044
	103,028	(20,281)	30,044	112,791
2019				
Year of assessment				
Up to 2018	73,240	(5,416)	7,173	74,997
2019	-	-	28,031	28,031
	73,240	(5,416)	35,204	103,028

22. Deferred tax assets

	2020	**2019**
The deferred tax assets are attributed to the following:		
Tax loss carried forward	32,607	45,418
Property and equipment	(35,182)	(60,144)
Intangible assets	36,185	29,350
	33,610	14,624

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

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

	2020	2019
Movement in deferred income tax assets:		
At January 1	14,624	107,082
Credit/(expense) to profit or loss	18,986	(92,458)
At December 31	33,610	14,624

	At January 1	Recognised in profit or loss	At December 31
31 December 2020			
Property and equipment	(60,144)	24,962	(35,182)
Tax losses carried forward	45,418	(12,811)	32,607
Intangible assets	29,350	6,835	36,185
	14,624	18,986	33,610
31 December 2019			
Property and equipment	(47,216)	(12,928)	(60,144)
Tax losses carried forward	122,208	(76,790)	45,418
Intangible assets	32,090	(2,740)	29,350
	107,082	(92,458)	14,624

The bank made the tax losses in 2018 and can be utilized until 2021.

23. Other financial assets

	2020	2019
Sundry receivables*	106,652	25,245
Clearing and miscellaneous accounts	32,396	17,701
Receivables against employees	50	271
Receivables against Group companies	7,935	-
Receivables from money transfer services	59,632	6,302
	206,665	49,519
Current	186,395	26,008
Non-current	20,270	23,511

*During the year, the bank recognised withholding tax credit of L$ 83 million (US$ 510,185) on payments made on behalf of Access Microfinance Holding AG from January 1, 2018 to December 31, 2020. The Liberian Revenue Authority granted the credit to the Bank as the withholding tax should not have been paid.

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

24. Other non-financial assets

	2020	2019
Prepayments	21,821	23,390
Office supplies	14,860	10,559
	36,681	33,949
Current	36,681	33,949

25. Loans from banks and other financial institutions

Loans from banks and other financial institutions	1,040,979	1,715,082
Interest payable	33,964	49,340
	1,074,943	1,764,422
Current	733,077	993,070
Non current	341,866	771,352

26. Deposit from customers

Term deposit accounts	478,872	491,711
Savings accounts	1,874,111	2,114,509
Current accounts	1,056,890	799,737
Accrued interest on customer accounts	17,814	20,332
	3,427,687	3,426,289
Current	3,344,440	3,325,935
Non current	83,247	100,354

27. Provisions

(a) Provision for staff leave

At January 1	2,092	2,794
Amounts used	(2,177)	(2,898)
Addition	2,676	2,092
Currency translation	85	104
At December 31	2,676	2,092

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

NOTES (CONTINUED)

(All amounts are in thousands of Liberian Dollars)

Provisions (continued)

(b) Provision for legal claims

	2020	**2019**
At January 1	2,804	-
Amounts used	(579)	-
Addition	4,599	2,804
Currency translation	(353)	-
At December 31	6,471	2,804
Total provision	9,147	4,896
Current	9,147	4,896

The Bank is defending legal actions brought by various persons for claims. Provision of L$ 6,471 thousand (2019:L$ 2,804 thousand) in relation to these claims has been recognized in the financial statements. The Bank expects to settle these claims in 2021. The possible settlement is subject to the assessment of the Bank's external lawyer, which is based on similar lawsuits in the past and the current practice of the courts of Liberia and as such is subject to uncertainty.

28. Other financial liabilities

	2020	**2019**
Liabilities for goods and services	11,200	37,765
Payables against group companies	28,181	21,727
Wages and salaries due, but not yet paid	26,550	16,397
Social security contributions payable	4,470	13,054
	70,401	88,943
Current	70,401	88,943

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

29. Other non-financial liabilities

Withholding tax payable	11,126	17,477
Deferred income	18,969	26,995
Grant liability	30,099	31,391
	60,194	75,863
Current	41,228	22,866
Non current	18,966	52,997

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

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

The bank received Technical Assistance Grant from the Government of the Grand Duchy of Luxembourg in 2019. The grant is repayable if not utilized by December 2021.

30. Leases

a. Leases as a lessee

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

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

i. Right of use of assets

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

	Branches	
	2020	**2019**
Balance at 1 January	214,882	224,392
Additions	-	6,557
Depreciation charge for the year	(16,072)	(16,067)
Translation difference	(25,060)	-
Balance as at 31 December 2020	173,750	214,882

At 31 December 2020, the future minimum lease payments under non-cancellable leases were payable as follows.

Maturity analysis – Contractual undiscounted cashflows		
no later than one year	14,647	31,388
later than one year and no later than five years	107,990	118,361
later than five years	308,117	374,134
	430,754	523,883

ii. Amount recognised in profit or loss

Depreciation of right-of-use (ROU) assets	16,072	16,067
Interest on lease liabilities	26,086	24,972

iii. Amounts recognized in cashflow

Lease payments (Interest)	26,086	12,760
Lease payments (Principal)	5,831	4,686

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

iv. Extension options

Some leases of branch premises contain extension options exercisable by the bank between 5 to 10 years before the end of the non-cancellable contract period. Where practicable, the bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the bank and not by the lessors. The bank assesses at lease commencement due date whether it is reasonably certain to exercise the extension options. The bank reassesses whether it is reasonably certain to exercise the options if there is significant event or significant changes in circumstances within its control.

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

v. Lease liabilities

	2020	**2019**
Balance at 1 January	167,751	153,668
Additions	-	6,557
Interest expense	26,086	24,972
Lease payments (Interest)	(26,086)	(12,760)
Lease payments (Principal)	(5,831)	(4,686)
Translation difference	(20,425)	-
Balance as at 31 December 2020	141,495	167,751

See Note 36 for maturity analysis for lease liabilities as at 31 December 2020

31. Share capital

As at December 31, 2020, the authorized and subscribed capital is L$ 804,641 thousand which has been fully paid in by the shareholders of the Bank and is constituted by 11,992 shares with a value of L$ 67.10. The shareholder structure is as follows:

	2020			2019		
	Number of shares	**Amount**	**%**	Number of shares	Amount	%
Access Microfinance Holding AG	8,783	589,208	74	6,552	439,007	55
International Finance Corporation	-	-	-	2,231	150,201	19
European Investment Bank	1,500	99,225	12	1,500	99,225	12
African Development Bank	1,709	116,208	14	1,709	116,208	14
	11,992	804,641	100	11,992	804,641	100

During the year, International Finance Corporation transferred its shareholding in AccessBank Liberia Limited to Access Microfinance Holding AG in exchange for shares in Access Microfinance Holding AG.

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

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

32. Financial instruments:

a. Classification of Financial instruments

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

	2020		2019	
	Amortised Cost	Fair value through profit or loss	Amortised cost	Fair value through profit or loss
Financial assets				
Cash and cash equivalent	2,718,880	-	1,721,122	-
Loans and advances to banks	623,857	-	1,098,852	-
Loans and advances to customers	1,716,932	-	2,720,304	-
Investment securities	373,542	-	583,354	-
Financial asset at fair value through profit or loss	-	-	-	138,675
Other financial assets	206,665	-	49,519	-
	5,639,876	-	6,173,151	138,675
Financial liabilities				
Loan and advances from banks	1,074,943	-	1,764,422	-
Deposit from customers	3,427,687	-	3,426,289	-
Other financial liabilities	70,401	-	88,943	-
Lease liability	141,495	-	167,751	-
Financial asset at fair value through profit or loss	-	141,133	-	-
	4,714,526	141,133	5,447,405	-

b. Fair value categorisation of financial instruments

i. Valuation principles

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

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

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

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

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

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

ii. Valuation governance

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

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

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

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

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

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

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

There were no transfers between the different levels in 2020 and 2019.

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

(i) Financial instruments not measured at fair value

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

2020	**Level 1**	**Level 2**	**Level 3**
Financial assets not measured at fair value			
Cash and cash equivalent	-	2,718,880	-
Loans and advances to banks	-	627,750	-
Loans and advances to customers	-	-	1,689,080
Investment securities	-	379,984	-
Other financial assets	-	206,654	-
	-	3,933,268	1,689,080
Financial liabilities not measured at fair value			
Loan and advances from banks	-	1,069,875	-
Deposit from customers	-	3,215,165	-
Other financial liabilities	-	70,401	-
Lease liability	-	141,495	-
	-	4,496,936	

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

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

(i) Loans and advances to banks and customers

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

Loans and advances to customers are net of charges for impairment. The estimated fair value of loans and advances to customers represents the discounted amount of estimated future cash flows expected to be received. The significant unobservable input is the risk adjusted discount rates.

(ii) Investment securities

The value of investment securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is rated using quoted market prices for securities with similar credit, maturity and yield characteristics.

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

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

(iv) Other financial assets

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

(v) Other financial liabilities

The estimated fair value of other liabilities is based on discounted cash flows using prevailing money-market interest rates. These are short term in nature hence the fair value is considered to approximate the carrying amount.

(ii) Financial instruments measured at fair value

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

31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities				
Fair value through profit or loss				
Derivative liabilities	-	141,133	-	141,133
31 December 2019				
Financial assets				
Fair value through profit or loss				
Derivative assets	-	138,675	-	138,675

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

Derivative - Foreign exchange contracts

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

33. Financial instruments: Offsetting

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

34. Contingent liabilities and commitments

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

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

	2020	**2019**
Undrawn overdrafts	-	13,217
Guarantees	429	1,205
	429	14,422

(ii) Claims and litigations

The bank is defending a number of pending legal actions brought against it at 31 December 2020. Some of these cases have been brought against the Bank by former employees, customers and others. Although liability is not admitted, if defense against the legal action is unsuccessful, then potential liabilities estimated at L$ 471,648 thousand (2019: L$ 18,616 thousand) would be payable. Based on legal advice, management believes that its defense of the legal action will be successful.

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

35. Capital Management

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

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

The Central Bank of Liberia requires the Bank to maintain a minimum capital (defined as total equity) of US$10,000,000. As at 31 December 2020, the minimum capital of the Bank stood at L$6,497 million (US$ 9,619,517) which is below the statutory minimum capital of US$10,000,000. The Bank has been in breach of this requirement since 2018. The breach may lead to the revocation of the Bank's license to operate in accordance with section 11(1) of the New Financial Institutions Act of 1999.

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

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with Central Bank of Liberia regulations, a minimum ratio of 10% is to be maintained for Bank. The Bank's Capital adequacy ratio as at December 31, 2020 was 66% as compared to 53% reported as at December 31, 2019. The Bank complied with the capital adequacy ratio requirements during the period.

		2020		**2019**	
Assets	**Weights**	**Amount**	**Value**	Amount	Value
Cash on hand	0%	246,293		234,290	-
Central bank accounts	0%	1,587,288		1,401,044	-
Short term treasury bills	0%	262,757		475,485	-
Government bond	0%	110,785		107,869	-
Loans and advances to banks	20%	1,509,155	301,831	1,072,863	214,573
Loans and advances to customers (Retail exposures)	75%	1,664,845	1,248,634	2,728,077	2,046,058
Loans and advances to customers (Past due exposures)	100%	40,727	40,727	59,968	59,968
Property and equipment	100%	383,600	383,600	724,617	724,617
Other financial assets	100%	206,665	206,665	49,519	49,519
Other non-financial assets	100%	36,681	36,681	33,949	33,949
Total risk weighted assets gross		6,048,796	2,218,138	6,887,681	3,128,684
1st Tier Capital					
Share capital			804,641		804,641
Statutory reserves			93,218		93,218
Translation reserves			1,018,816		1,245,962
Retained earnings			(344,671)		(336,483)
Intangibles assets			(116,695)		(147,458)
Total qualifying capital			1,455,309		1,659,880
Capital adequacy ratio			66%		53%

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

36. Financial Risk Management

The risk arising from financial instruments to which the Bank is exposed are credit risk, liquidity risk and market risk.The Bank's Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors has established the Asset and Liability Management Committee (ALCO), which is responsible for approving and monitoring Bank's risk management policies.
The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Bank's activities. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.
The Bank Audit Committee oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management.

a) Credit risk

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

As more than 96.4% of our lending is to micro, small and medium-sized businesses this section concentrates on business lending.

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

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

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

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

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

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

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

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

Based on our experience, we measure the level of credit risk mainly in the Portfolio at Risk (meaning the total outstanding exposure to parties that are in arrears with any part of their obligations) 1 to 30 days. Overall PAR 30 for the Bank was 18.92% as of 31 December 2020 (20.48% in 2019). 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 L$ 909,343 thousand (41.7%) at the end of 2020 (L$ 388,031 thousand / 11.3% in 2019).

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

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

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

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

Significant increase in credit risk (SICR)

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

Quantitative criteria:

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

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

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

Backstop

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

Low Credit Risk Exemption
The Bank has not used the low credit risk exemption for any financial instruments at the reporting period and the period ended 31 December 2019 .

Definition of default and credit-impaired assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The calculation of ECL

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

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

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

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

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

The mechanics of the ECL method are summarised below:

- Stage 1: The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

- Stage 3: For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

- POCI: these financial assets are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit-adjusted EIR.

Forward looking information

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

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

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

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

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

- Staff turnover – staff turnover is used as it is critical to the quality and experience of credit staff and the quality of the Bank's underwriting.
- GDP Growth – GDP growth is used to assess the relative health of the economy. Forward looking information is incorporated by using the projected GDP growth for the current year.
- USD/L$ – The CBL USD sell rate on the date of the assessment is used in the tool. This is because of the sensitivity of the economy to exchange rate fluctuations.
- Iron Ore Price – Iron ore is one of the Liberia's exports and a main source of foreign exchange. The use of iron ore is mainly as a proxy in the determination of exchange rate stability.
- Government intervention – Government is expected to implement sound policies that will improve the Liberian economy.
- COVID recovery – The economic condition is expected to improve gradually from the impact of the COVID 19 pandemic.

Grouping of instruments for losses measured on a collective basis

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

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

As of December 31, 2020, the quality of the loan portfolio is as follows:

	PAR>30		**PAR>90**		**Risk Coverage Ratio**
Outstanding Portfolio (Principal)		**%**		**%**	**%**
2,132,113	412,450	19.34	347,249	16.29	100.85

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

Outstanding Portfolio (Principal)		%		%	%
3,354,802	687,113	20.48	533,981	15.92	93.81

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

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

Credit quality by class of financial assets

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

December 2020

Loans and advances to customers At amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Current: Low risk	1,695,345				1,695,345
Satisfactory: Fair risk	72,061				72,061
Substandard: Fair risk		65,201			65,201
Doubtful: Impaired			74,142		74,142
Loss: impaired			273,107		273,107
Gross carrying amount	1,767,406	65,201	347,249	-	2,179,856
Loss allowance	(68,698)	(40,186)	(307,077)		(415,961)
Carrying amount	1,698,708	25,015	40,172		1,763,895

December 2019

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

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

Credit quality by class of financial assets

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

December 2020

Loans and advances to banks	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Current: Low risk	623,857	-	-	-	623,857
Satisfactory: Fair risk	-	-	-	-	-
Gross carrying amount	623,857	-	-	-	623,857
Loss allowance	-	-	-	-	-
Carrying amount	623,857				623,857

December 2019

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

December 2020

Investment securities	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Current: Low risk	373,542	-	-	-	373,542
Satisfactory: Fair risk	-	-	-	-	-
Gross carrying amount	373,542	-	-	-	373,542
Loss allowance	-	-	-	-	-
Carrying amount	373,542	-	-	-	373,542

December 2019

Investment securities	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Current: Low risk	583,354	-	-	-	583,354
Satisfactory: Fair risk	-	-	-	-	-
Gross carrying amount	583,354	-	-	-	583,354
Loss allowance	-	-	-	-	-
Carrying amount	583,354	-	-	-	583,354

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

Credit quality by class of financial assets

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

December 2020

Other financial assets	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Current: Low risk	206,665	-	-	-	206,665
Satisfactory: Fair risk	-	-	-	-	
Gross carrying amount	206,665	-	-	-	206,665
Loss allowance	-	-	-	-	-
Carrying amount	206,665	**-**	**-**	**-**	206,665

December 2019

Other financial assets					
Current: Low risk	49,519	-	-	-	49,519
Satisfactory: Fair risk	-	-	-	-	-
Gross carrying amount	49,519	-	-	-	49,519
Loss allowance	-	-	-	-	-
Carrying amount	49,519	-	-	-	49,519

December 2020

Loan commitments and financial guarantees					
Current: Low risk	429	-	-	-	429
Satisfactory: Fair risk	-	-	-	-	
Gross carrying amount	429	-	-	-	429
Loss allowance	-	-	-	-	
Carrying amount	429	**-**	**-**	**-**	429

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

December 2019

Loan commitments and financial guarantees	Stage 1	Stage 2	Stage 3	POCI	Total
Current: Low risk	14,422	-	-	-	14,422
Satisfactory: Fair risk	-	-	-	-	-
Gross carrying amount	14,422	-	-	-	14,422
Loss allowance	-	-	-	-	-
Carrying amount	14,422	-	-	-	14,422

Cash and cash equivalents

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

Loss allowance

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

Loan and advances decreased significantly in 2020 due to loans write off and repayments. This reduction, which resulted in the overall ECL reduction at year end, was observed more on the SME portfolio which saw an ECL stock reduction by 43%.

December 2020

Loans and advances to customers at amortised cost.	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January	132,649	44,307	467,626	644,582
Transfer to stage 1	39,932	(8,953)	(30,979)	-
Transfer to stage 2	(4,190)	4,463	(273)	-
Transfer to stage 3	(8,730)	(25,879)	34,609	-
Net remeasurement of loss allowance	(55,331)	48,878	278,745	272,292
New loans originated or purchased	70,261	-	-	70,261
Loans that have been derecognized	(99,127)	(19,450)	(56,839)	(175,416)
Write offs	-	-	(346,308	(346,308)
Exchange difference	(6,766)	(3,180)	(39,504)	(49,450)
Balance at 31 December	68,698	40,186	307,077	415,961

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

December 2019

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

There was no loss allowance for other financial assest as at 31 December 2020.

December 2019

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

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

The following table provides a reconciliation between:

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

	Loans and advances to banks at amortised cost	Loans and advances to customers at amortised cost	Other Financial assets	Cash and cash equivalents	Letters of credit, undrawn commitments and guarantees	Total
2020						
Net remeasurement of loss allowance	-	96,876	--	-	-	96,876
New financial assets originated or purchased	-	70,261	-	-	-	70,261
Total	-	167,137	-	-	-	167,137
Recoveries of amounts previously written off	-	(14,307)	-	-	-	(14,307)
Total	-	152,830	-	-	-	152,830
2019						
Net remeasurement of loss allowance	-	189,489	(44,742)	-	-	144,747
New financial assets originated or purchased	-	109,614	-	-	-	109,614
Total	-	299,103	(44,742)	-	-	254,361
Recoveries of amounts previously written off		(18,377)	-	-	-	(18,377)
Total	-	280,726	(44,742)	-	-	235,984

Credit impaired financial assets

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

	2020	**2019**
Credit- impaired loans and advances to customer at 1January	66,356	122,175
Classified as credit-impaired during the year	165,370	270,551
Net repayments	(31,252)	(53,302)
Amount written off	(346,308)	(169,442)
Change in allowance for impairment	160,315	(148,642)
Exchange difference	25,691	45,016
Credit impaired loans and advance to customer at 31 December	40,172	66,356

The carrying amount of loans and advances written off that are still subject to enforcement activity is L$ 346,308 thousand (2019: L$ 169,442 thousand).

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

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

Regulatory disclosure – Non-performing loans

The percentage of gross non-performing loans to total advances portfolio (gross) was 44.8% (2019: 24.1%).

Portfolio concentration

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

2020			2019		
Outstanding Portfolio (Principal)	Amount	%	Outstanding Portfolio (Principal)	Amount	%
2,132,113	142,667	6.69	3,354,802	201,415	6.00

Maximum exposure to credit risk before collateral held

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

	2020	**2019**
Bank balance with central bank	1,587,288	1,401,044
Bank balance with other banks	885,299	85,787
Investment securities	373,542	583,354
Loans and advances to banks	623,857	1,098,852
Financial assets at fair value through profit or loss	-	138,675
Other financial assets	206,665	49,519
Loans and advances to customers	1,716,932	2,720,304
	5,393,583	6,077,535
Lending commitments and financial guarantees	429	14,422
At 31 December	5,394,012	6,091,957

The above represents the maximum exposure to credit risk at 31 December 2020 and 2019, without taking account of any collateral held or other credit enhancements attached. For off-balance-sheet assets, the exposures set out above are based on the amount committed or guaranteed at the reporting date.

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

Collateral held and other credit enhancements, and their financial effect

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

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

Type of exposure

	Percentage of exposure that is subject to collateral requirement		Principal type of collateral held
	December 2020	**December 2019**	
Loans and advances to customers			
SME Loans	100%	100%	Mortgage over Commercial and residential properties, cash deposits, charges over business assets
Micro Loans (below L$200,000)	0%	0%	
Micro Loans (above L$200,000)	100%	100%	
Personal loans (below US$ 2,000)	0%	0%	
Personal loans (above US$ 2,000)	100%	100%	Legal mortgages over Land and charges over vehicle
Staff loans (below US$,2000)	0%	0%	
Staff loans (above US$, 2,000)	50%	50%	Legal mortgages over Land and charges over vehicle
Staff loans (above US$5,000)	100%	100%	
Balances with other Banks	0%	0%	

Collateral on impaired exposures

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

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

The Bank's policy is to sell the confiscated collateral via auctions and sales to third parties. The Bank does not sell any of its customers collateral to employees of the Bank or uses them for its own operations. The Bank did not take possession of any collateral during the year (2019: nil)

The bank has not recognized impairment allowance on loan amount of L$ 58,253 thousand (2019: L$ 207,585 thousand) because of the collateral held.

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

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

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

b) Liquidity risk

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

The Bank concentrates on lending to micro, small sized enterprises as well as individuals – the portfolio of such loans makes up nearly 26.4% (2019: 37.1%) of total assets. The portfolio is highly diversified to a large number of customers, and almost exclusively consists of instalment loans with monthly annuity repayments of interest and principal.

The main sources of refinancing are borrowings from financial institutions (16.5% of total assets; in 2019: 24.1%), customer deposits (52.8%; in 2019: 46.7%) and a high share of equity (24.2%; in 2019: 24.6%). Borrowings are predominantly medium-long term and from either development finance institutions (including shareholders) or specialised microfinance investment vehicles.

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

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

The Bank maintains a high level of cash and cash equivalents that can be easily liquidated in the event of an unforeseen interruption in cash flow. The liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. Liquid assets consist of balances with central bank and loans and advances to banks with maturity below 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	
2020	**2019**	**2020**	**2019**
45.90%	46.40%	103.14%	113.64%

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.

2020			2019		
Total Deposits	**Amount**	**%**	**Total Deposits**	**Amount**	**%**
3,427,687	687,518	20.06	3,426,289	320,686	9.36

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

COVID-19 considerations
While the Bank carefully monitored its liquidity situation, it did not encounter any liquidity shortages which would have required special liquidity related measures. Nonetheless, management engaged with large deposit clients to prevent any possible deposit flight.

As of December 31, 2020 the maturity schedule is as follows:

Maturity schedule	< 1 month	1 - 3 months	3 - 12 months	12 months to 2 years	2 to 5 years	Over 5 year	Total contractual cash flows	Carrying amount
Assets								
Cash and cash equivalents	2,718,880	-	-	-	-	-	2,718,880	2,718,880
Investment securities	66,425	211,524	115,956	-	-	-	393,905	373,542
Loans and advances to banks	-	167,983	465,061	-	-	-	633,044	623,857
Loans and advances to customers	57,594	123,740	1,548,061	507,890	46,650	-	2,283,935	1,716,932
Other financial assets	-	-	186,395	-	20,270	-	206,665	206,665
Total financial assets	2,842,899	503,247	2,315,473	507,890	66,920	-	6,236,429	5,639,876
Liabilities								
Loans from banks and other financial institutions	-	199,341	546,832	374,008	-	-	1,120,181	1,074,943
Deposit from customers	3,003,423	67,295	283,882	171,313	190	-	3,526,103	3,427,687
Other financial liabilities	70,401	-	-	-	-	-	70,401	70,401
Lease Liability	-	6,553	8,094	29,028	78,962	307,962	430,599	141,495
Financial liabilities at fair value through profit or loss	-	-	95,089	81,524	-	-	176,613	141,133
Total financial liabilities	3,073,824	273,189	933,897	655,873	79,152	307,962	5,323,897	4,855,659
Net liquidity gap	(230,925)	230,058	1,381,576	(147,983)	(12,232)	(307,962)	912,532	784,217
Cumulated liquidity gap	(230,925)	(867)	1,380,709	1,232,726	1,220,494	912,532		

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

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

The liquidity ratio of the Bank as at 31 December 2020 was calculated at approximately 108 % (2019: 46%)

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

Maturity schedule	< 1 month	1 - 3 months	3 - 12 months	12 months to 2 years	2 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Assets								
Cash and cash equivalents	1,721,122	-	-	-	-	-	1,721,122	1,721,122
Investment securities	-	181,311	418,028	-	-	-	599,339	583,354
Loans and advances to banks	196,796	380,743	532,712	-	-	-	1,110,251	1,098,852
Financial assets at fair value through profit or loss	-	19,506	119,169			-	138,675	138,675
Loans and advances to customers	590,908	196,559	2,449,194	1,167,447	438	-	4,404,546	2,720,305
Other financial assets	-	-	26,008	-	23,511	-	49,519	49,519
Total financial assets	2,508,826	778,119	3,545,111	1,167,447	23,949	-	8,023,452	6,311,827
Liabilities								
Loans from banks and other financial institutions	199,172	268,934	540,117	416,264	445,519	-	1,870,006	1,764,422
Deposit from customers	2,938,871	56,488	338,975	107,801	-	-	3,442,135	3,426,289
Other financial liabilities	88,943	-	-	-	-	-	88,943	88,943
Lease Liability	-	6,467	24,920	16,753	101,609	374,311	524,060	167,751
Total financial liabilities	3,226,986	331,889	904,012	540,818	921,439		5,925,144	5,447,405
Net liquidity gap	(718,160)	446,230	2,641,099	626,629	(523,179)	(374,311)	2,098,308	864,422
Cumulated liquidity gap	(718,160)	(271,930)	2,369,169	2,995,798	2,472,619	2,098,308		

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

c) Market risk

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

COVID 19 considerations

The Bank monitored the development of market prices, i.e. interest rates and FX rates, very closely. However, the Bank did not encounter any situations which would have made it necessary to take particular market risk related measures during the COVID period.

i) Interest rate risk

Interest rate risk is the danger that the Bank's interest margin will be (negatively) influenced by a change in market interest rates because of a mismatch in the maturity (period of fixed interest rates) between assets and liabilities. The Board sets limits on the level of mismatch which is monitored daily by the Bank's Treasury department.

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

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

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

At December 31, 2020		**Sensitivity**	
	Principal amount	**>2%**	**<2%**
Financial assets			
Investment securities	360,000	7,200	(7,200)
Loans and advances to banks	611,189	12,224	(12,224)
Loans and advances to customers	2,132,113	42,642	(42,642)
	3,103,302	**62,066**	**(62,066)**
Financial liabilities			
Loans from banks and other financial institutions	1,040,979	20,820	(20,820)
Deposit from customers	2,352,983	47,060	(47,060)
Financial assets at fair value through P&L	128,813	2,576	(2,576)
	3,522,775	**70,456**	**(70,456)**
Impact on post tax profit (75%)		**(6,293)**	**6,293**
Impact on equity (75%)		**(6,293)**	**6,293**

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

At December 31, 2019		**Sensitivity**	
	Principal amount	**>2%**	**<2%**
Financial assets			
Investment securities	500,000	10,000	(10,000)
Loans and advances to banks	1,072,863	21,457	(21,457)
Financial assets at fair value through P&L	138,675	2,774	(2,774)
Loans and advances to customers	2,710,219	54,204	(54,204)
	4,421,757	**88,435**	**(88,435)**
Financial liabilities			
Loans from banks and other financial institutions	1,715,082	34,302	(34,302)
Deposit from customers	2,606,220	52,124	(52,124)
	4,321,302	**86,426**	**(86,426)**
Impact on post tax profit (75%)		**1,507**	**(1,507)**
Impact on equity (75%)		**1,507**	**(1,507)**

An interest rate shock of +/-2% across all interest-bearing assets and liabilities would result in a post-tax profit /equity effect of L$ 6,293 thousand (2019: L$ 1,507 thousand).

ii) Currency risk

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

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

The Bank uses currency swaps to hedge foreign currency risk. The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to currency risk on financial assets and financial liabilities denominated in Liberian dollars and other currencies other than US dollar as at December 31, 2020 and the effect of a 15% change in the exchange rates.

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

At December 31, 2020	**Carrying amount**	**Sensitivity** >15%	**Sensitivity** <15%
Financial assets			
Cash and cash equivalents	1,243,739	186,561	(186,561)
Loans and advances to banks	149	22	(22)
Investment securities	373,542	56,031	(56,031)
Other financial assets	44,583	6,687	(6,687)
Loans and advances to customers	1,296,908	194,536	(194,536)
	2,958,921	443,837	(443,837)
Financial liabilities			
Loans from banks and other financial institutions	733,076	109,961	(109,961)
Deposit from customers	1,425,813	213,872	(213,872)
Other financial liabilities	45,352	6,803	(6,803)
Financial liabilities at fair value through profit/loss	757,526	113,629	(113,629)
	2,961,767	444,265	(444,265)
Net impact on post tax profit (75%)		(321)	321
Net impact on equity (75%)		(321)	321

At December 31, 2019	**Carrying amount**	**Sensitivity** >15%	**Sensitivity** <15%
Financial assets			
Cash and cash equivalents	811,187	121,678	(121,678)
Loans and advances to banks	149	22	(22)
Investment securities	583,354	87,503	(87,503)
Other financial assets	17,481	2,622	(2,622)
Loans and advances to customers	1,938,891	290,834	(290,834)
	3,351,062	502,659	(502,659)
Financial liabilities			
Loans from banks and other financial institutions	993,070	148,961	(148,961)
Deposit from customers	1,374,322	206,148	(206,148)
Other financial liabilities	39,495	5,924	(5,924)
	2,406,887	361,033	(361,033)
Net impact on post tax profit (75%)		106,220	(106,220)
Net impact on equity (75%)		106,220	(106,220)

An exchange rate shock of +/-15% across all financial assets and liabilities denominated in Liberian dollars would result in a post-tax profit/equity impact of L$ 321 thousand (2019: L$ 106,220 thousand).

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

37. Related-party transactions

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

	2020	**2019**
Short term employee benefits	74,691	63,201
Post -employment benefits	-	-
	74,691	63,201

Total loans held by Key management personnel at 31 December was L$ 939,527 (2019:Nil). One of the key management loans is secured. The repayment terms for the loan is monthly. The impairment allowance and impairment expense recognized on the loans during the year was L$ 15,920 (2019: Nil). Interest income recognized on the loans was L$ 44,563 (2019: Nil).

The deposit with the bank was L$ 4,448,394 (2019: L$ 3,868,925). Interest expense paid on the deposit for the year was L$ 15,224 (2019: L$ 12,324).

Transactions with related entities

<u>Access Microfinance Holding AG</u>
Access Microfinance Holding AG, Berlin, Germany (AccessHolding) is the parent entity of the Bank and has concluded a service level agreement and a software license agreement with the Bank. The service level agreement provides centralized services from AccessHolding to all subsidiaries in the areas of technology and global IT operations, business, project management, refinancing and funding, finance and reporting, internal audit, risk management and compliance and human resources. In the software license agreement AccessHolding provides the Bank's core banking software and the related maintenance services.

Access Microfinance Holding AG	**Rendering of services (expenses)**	**Amounts owed to related parties**	**Amounts due from related parties**
2020	233,822	28,181	7,935
2019	213,457	19,606	-

<u>Access Microfinance Nigeria</u>

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

	Rendering services (expenses)	**Amounts owed to related parties**
2020	-	-
2019	2,785	2,121

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

Amount due to and from related parties have no maturities and are not secured. The amount is expected to be settled in cash.

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

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

The impairment loss rates on financial assets as per IFRS and the Prudential Guidelines of the Central Bank of Liberia are shown below. The IFRS impairment is higher than the CBL prudential regulation by L$ 143 million (2019: lower by L$160 million).

At December 31, 2020
IFRS vs CBL impairment USD portfolio

CBL classification		**IFRS**	**CBL**
Current	(2%)	17,831	13,637
Olem	(5%)	15,331	1,953
Sub standard	(20%)	10,686	2,834
Doubtful	(50%)	19,898	12,966
Loss	(100%)	74,868	74,867
		138,614	106,257

IFRS vs CBL impairment L$ portfolio

		IFRS	**CBL**
CBL classification			
Current	(2%)	38,459	19,108
Olem	(5%)	37,253	4,871
Sub standard	(20%)	49,585	12,138
Doubtful	(50%)	66,657	41,339
Loss	(100%)	85,393	89,464
		277,347	166,920
Total impairment		415,961	273,177
Net impact			(142,784)

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

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

At December 31, 2019

IFRS vs CBL impairment USD portfolio

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

IFRS vs CBL impairment L$ portfolio

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

39. Reserves

Statutory reserves

Section 15(1a) of the Financial Institution Act of 1999 require the Bank to make an annual appropriation from profit for the year to statutory reserves. There was no transfer from retained earnings to statutory reserve for the year ended December 31, 2020 as a result of the loss reported (2019: L$ 43,284 thousand).

Translation reserves

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

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

40. Management Board

The management board comprises of the following members:

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

41. Going Concern Considerations and subsequent events

The Bank incurred a loss of L$8,188,000 (2019: profit of L$173,135,000) for the year ended 31 December 2020.

The Bank is yet to meet the statutory minimum capital requirements (defined as the total equity of the Bank) prescribed by the Central Bank of Liberia of US$10,000,000. As at 31 December 2020, the minimum capital of the Bank stood at L$6,497 million (US$9,619,517) which is below the statutory minimum capital of US$10,000,000. The Bank has been in breach of this requirement since 2018. The breach may lead to the revocation of the Bank's license to operate in accordance with section 11(1) of the New Financial Institutions Act of 1999.

During the year, the Central Bank of Liberia performed a regulatory review and noted that the Bank was in breach of the minimum capital requirement. The Bank requested for ample time to make sufficient profit to augment their capital, however, the Central Bank of Liberia is yet to respond to the Bank's request.

The Directors of the Bank are confident that the Bank will make enough profit in the next financial period to augment the existing equity to enable it to meet the regulatory requirement of a minimum capital of US$10,000,000.

The parent company, Access Microfinance Holding AG, has confirmed its financial support to AccessBank Liberia Limited in 2021 through direct funding up to US$1,000,000, if and as needed to ensure its continued compliance with applicable banking regulations or other obligations, subject in each case to the requisite approvals by the responsible corporate bodies of AccessHolding.

The Directors acknowledge that the Bank's ability to continue to operate as a going concern is dependent on:

- The Regulator providing the Bank with ample time to augment its capital and not revoking the Bank's license before the Bank is able to meet the minimum capital requirement.
- The Bank making enough profit to augment its existing equity in the subsequent year to meet the regulatory requirement.
- The financial support from the parent company in the event that the Bank is unable to generate sufficient profit in the subsequent year.

These conditions gives rise to a material uncertainty which may cast significant doubt on the Bank's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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