BAKER TILLY
LIBERIA

ACCESSBANK LIBERIA LIMITED

Independent Auditors' Report and Financial Statements
For the Year Ended December 31, 2014

an independent member of
BAKER TILLY
INTERNATIONAL

Assurance | Tax | Advisory

Our Shared Values

BAKER TILLY
LIBERIA

The
Baker Tilly International
Mission Statement

To operate a network whose members deliver, with integrity and objectivity, superior independent audit, accounting, tax and financial services to clients through global resources and relationships.

BAKER TILLY VALUES

1. We lead by example.

2. We deliver a quality service with an emphasis on integrity.

3. We are open and honest in all communications.

4. We act ethically.

5. We foster teamwork and collaboration with other Baker Tilly member firms.

6. We maintain a supportive environment in which our individuals can flourish

Contents

CORPORATE INFORMATION

Directors	:	Mr. Bernd Zattler	Chairman
		Mr. Patrick Thomas	Director
		Mr. Kyle Lackner	Director
		Mr. Oliver Hesch	CEO
		Mr. Timo Teinila	Director
		Mr. Geegbae A. Geegbae	Director
		Mr. Duannah Kamara	Director
Managing Director	:	Mr. Oliver Hesch	
Register Office	:	AccessBank Liberia Limited 20th Street, Sinkor Monrovia	
Auditor	:	Baker Tilly Liberia Limited *(Certified Public Accountants)* Kings Plaza 2nd - 4th Floors P.O. Box 10-0011 1000 Monrovia 10, Liberia	
Company Secretary	:	Cllr. Powo C. Hilton	

Report of the Directors

The directors have pleasure in submitting their report to the shareholders, together with the financial statements for the year ended December 31, 2014.

Directors' Responsibility Statement

The company's directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the financial statements. These notes include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, the requirements of the New Financial Institutions Act (FIA) of 1999 and the Prudential Regulations of the Central Bank of Liberia (CBL).

The directors' responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Approval of the financial statements

The financial statements of the Bank were approved by the Board of Directors on March 25, 2015.

Share capital

Details of the Bank's share capital are given in note 16 to the financial statements.

Directors

The names of the present directors are detailed on page 1.

Auditors

The auditors, Messrs. Baker Tilly Liberia, have indicated their willingness to continue in office.

By Order of the Board

BERND ZATTLER
Director

THOMAS PATRICK
Director

Kyle Lackner
Director

G. A. GEEGBAE
Director

BAKER TILLY
LIBERIA

King Plaza
2nd – 4th Floors
Broad Street
P. O. Box 10-0011
1000 Monrovia 10 Liberia
T: +231 (0) 886 514 965
F: +1 905 469 0986

info@bakertillyliberia.com
www.bakertillyliberia.com

Independent Auditors' Report

To: The Shareholders
AccessBank Liberia Limited

We have audited the financial statements of AccessBank Liberia Limited, which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the requirements of the New Financial Institutions Act (FIA) of 1999 and the Prudential Regulations of the Central Bank of Liberia (CBL). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment including the assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of AccessBank Liberia Limited as at December 31, 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the New Financial Institutions Act (FIA) of 1999.

Baker Tilly Liberia

(Certified Public Accountants)
24th March 2015
Monrovia

BAKER TILLY LIBERIA

Statement of Financial Position
As at December 31, 2014

In Thousands of United States Dollars	Note	2014	2013
Assets			
Cash and cash equivalents	8	9,610	6,949
Loans and advances to customers	9	14,726	12,422
Property, plant and equipment	10	2,833	2,913
Intangible assets	11	669	493
Deferred Tax Assets	23	447	282
Other assets	12	1,295	1,184
Total assets		**29,580**	**24,243**
Liabilities			
Loans, Banks and Other financial Inst.	13	2,233	805
Deposits from customers	14	17,068	12,571
Other liabilities	15	1,014	487
Total liabilities		**20,315**	**13,864**
Equity			
Capital and reserves attributable to the company's equity holders			
Issued capital	16	11,992	11,992
Retained earnings	16	(2,727)	(1,612)
Total equity		**9,265**	**10,380**
Total liabilities and equity		**29,580**	**24,243**

These financial statements were approved by the Board of Directors on March 25 2015 and signed on their behalf by:

....)
Oliver Hesch
MANAGING DIRECTOR/CEO

....)

5 | Page

Statement of Comprehensive Income

For the year ended December 31, 2014

In Thousands of United States Dollars	Note	2014	2013
Interest income	17	7,658	5,930
Interest expenses	18	(373)	(220)
Allowance for loan impairment		(1,120)	(528)
Net interest income		**6,165**	**5,182**
Fees and commission income	19	391	599
Net fee and commission income		**6,556**	**5,781**
Net Loss from FX Transactions	20	(97)	(88)
		(97)	**(88)**
Operating income		**6,459**	**5,693**
Operating Expenses			
Personnel expenses	21	(3,276)	(2,380)
Operating expenses	22	(4,298)	(3,870)
Net Operating loss before income tax		**(1,115)**	**(556)**
Corporate tax expense		-	-
Net Loss for the year		**(1,115)**	**(556)**
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The notes on pages 9 to 39 are integral parts of these financial statements

Statement of Changes in Equity
For the year ended December 31, 2014

In Thousands of United States Dollars

	Issued share Capital	Statutory reserve	Retained earnings	Total shareholders equity
Balance at December 31, 2013	**11,992**	**-**	**(1,612)**	**10,380**
Balance at January 1, 2014	11,992	-	(1,612)	10,380
Additional Capital	-	-	-	-
Profit / (loss) for the year	-	-	(1,115)	(1,115)
Balance at December 31, 2014	**11,992**	**-**	**(2,727)**	**9,265**

The notes on pages 9 to 38 are integral parts of these financial statements

Statement of Cash Flows
For the year ended December 31, 2014

In Thousands of United States Dollars	2014	2013
Cash flows from operating activities		
Loss for the year	**(1,115)**	**(556)**
Adjustment for:		
Depreciation	579	576
Amortization	330	340
Reclassification of depreciation/Adj	(21)	
	888	**916**
Loans, banks and other financial institutions	1,428	804
Increase in loans and advances to customer	(2,304)	(5,231)
Increase in other assets	(111)	264
Increase in deposits from customers	4,497	3,542
Increase / decrease in other liabilities	527	(107)
Increase in deferred tax assets	(165)	(53)
	3,872	**(781)**
Net cash (used in)/generated from operating activities	**3,645**	**(421)**
Cash flows from investing activities		
Purchase of property and equipment	(485)	(1,137)
Purchase of intangible assets	(499)	(419)
Net cash (used in) Investing activities	**(984)**	**(1,556)**
Cash flows from financing activities		
Share capital	-	1,646
Net cash from financing activities	**-**	**1,646**
Net (decrease)/increase in cash and cash equivalents	**2,661**	**(331)**
Cash and cash equivalents at January 1	6,949	7,280
Cash and cash equivalents at December 31, 2014	**9,610**	**6,949**

The notes on pages 9 to 39 are integral parts of these financial statements

Notes to the financial statements

(1). Reporting entity

AccessBank Liberia Ltd. (Bank, Company), a Company in accordance with the Association Laws of Liberia, based in Monrovia, Liberia, was founded on 20 January 2009 and has its registered office at 20th Street, Sinkor, Tubman Boulevard, Monrovia, Liberia. The Bank is regulated by the Central Bank of Liberia (the "CBL") and conducts its business under license number 01_09 giving it the right to conduct all banking operations including foreign exchange operations.

The business purpose and principal activity of AccessBank Liberia Limited - as a commercial microfinance bank - is commercial and retail banking operations within the Republic of Liberia, with a focus on serving micro and small business customers.

The Bank has six branches and two Annexes within the Republic of Liberia (31 December 2013: 6 branches and 2 Annexes)

(2) Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements are presented in United States Dollars (USD), which is the Bank's functional currency. These financial statements are presented in thousands of USD *(functional)*, unless otherwise indicated. These financial statements have been prepared under the historical cost convention.

AccessBank is a subsidiary company of Access Microfinance Holding AG group. Therefore, AccessBank is consolidated in the financial statements of Access Microfinance Holding AG.

AccessBank is not a capital market-oriented company.

The financial statements of the Bank for the financial year 2014 will be approved for issue by the general assembly of shareholders in March 2015. Neither the entity's owners nor others have the power to amend the financial statements after issue.

(b) Going concern basis

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

(2.1) Recently Adopted Accounting Pronouncements

The following new or amended standards and interpretations have become effective for financial years beginning after 1 July 2012:

- IAS 1 Amendment - Presentation of Items of Other Comprehensive Income (effective date: July 1, 2012). The rules governing the presentation of other comprehensive income were changed to require the separate presentation of components that will be subsequently reclassified to profit or loss ("recycled") and those that will not be reclassified.

The following new or amended standards and interpretations have become effective for financial years beginning after 1 January 2013:

- IFRS 13 Fair Value Measurement: IFRS 13 consolidates the existing guidance on fair value measurement in a single standard. It defines fair value, provides guidance on how to determine fair value and specifies the required disclosures on fair value measurement.

Notes to the financial statements (Continued)

- IAS 12 Income Taxes (2010): The IASB has added an exception to the principles in IAS 12: the rebuttable presumption that investment property measured at fair value is recovered entirely by sale. Given the current structure of the financial statements of the Group these amendments will have no material impact on the financial liabilities.

- IAS 19 Employee Benefits - Revised (2011): The key amendment to the revised standard is the elimination of the option to use the corridor method. In addition, the concept of the expected return on plan assets was abolished. In future, the return on plan assets required to be recognized in profit or loss will be based on the discount rate used to calculate the pension obligations. There will be new categorization with regard to termination benefits, particularly to the old age part time obligations. Among other things, the amendment also increases the disclosure requirements for defined benefit plans.

- Improvements to IFRSs (2011): These improvements to five IFRSs are not expected to have any material impact on the Group's financial statements.

- IFRS 1 First-time adoption of international financial reporting standards – Amendments: The IASB has issued amendments regarding the first-time adoption in countries with hyperinflationary economies. Additional amendments are related to the timing of IFRS applications.

- IFRS 1 First-time adoption of international financial reporting standards –Amendments: These amendments concern the valuation of government-related liabilities for first-time adoption.

- IFRS 7 Financial instruments: disclosures-Amendments (2011): The amendments enhance disclosure requirements regarding the off-setting of financial assets and liabilities. These changes don't have a significant effect on the consolidated financial statements of AccessBank for 2014.

(2.2) New Accounting Pronouncements

The following new standards are becoming effective in periods after 31 December 2014:

- The mandatory effective date for the classification and measurement and derecognition sections of IFRS 9 Financial Instruments when they were originally issued was 1 January 2013.
  On 16 December 2011, the IASB issued Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7), which amended the effective date of IFRS 9 to annual periods beginning on or after 1 January 2015, and modified the relief from restating comparative periods and the associated disclosures in IFRS 7.
  On 19 November 2013, the IASB issued IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) amending IFRS 9 to include the new general hedge accounting model, allow adoption of the treatment of fair value changes due to own credit on liabilities designated at fair value through profit or loss, and remove the 1 January 2015 effective date.
  On 24 July 2014, the IASB issued IFRS 9 Financial Instruments. This is the final version of the Standard and supersedes all previous versions. The Standard has a mandatory effective date for annual periods beginning on or after 1 January 2018, with earlier application permitted. The Bank will quantify the effect of the adoption of the first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.
- IFRS 10 Consolidated Financial Statements (effective date: January 1, 2014). The standard contains a new definition of control that must be used to identify whether investees must be consolidated. As a result, there will be a single consolidation model for all controlled entities. The standard replaces the consolidation guidance in IAS 27 and the rules laid down in SIC 12.

- IFRS 11 Joint Arrangements (effective date: January 1, 2014). IFRS 11 specifies the accounting treatment for joint arrangements. In addition, the new definition prohibits the use of proportionate consolidation to account for joint ventures.

Notes to the financial statements (Continued)

- IFRS 12 Disclosure of Interests in Other Entities (effective date: January 1, 2014). The new standard contains all disclosure requirements for subsidiaries, joint arrangements, associates and structured entities. IAS 27 Separate Financial Statements - Revised (2011) (effective date: January 1, 2014). The amended version of IAS 27 contains changes resulting from the publication of IFRS 10. The provisions governing accounting for separate financial statements remain part of IAS 27 and have not been amended, in contrast to the other parts of IAS 27, which have been replaced by the new IFRS 10.
- IAS 28 Investments in Associates and Joint Ventures - Revised (2011) (effective date: January 1, 2014). The revised IAS 28 standard contains changes resulting from the publication of IFRS 11 and IFRS 12.
- IAS 32 Amendment - Offsetting Financial Assets and Financial Liabilities (effective date: January 1, 2014). The changes clarify the offsetting requirements. Above and beyond this, additional guidance on offsetting financial assets and financial liabilities has been included in the standard.
- IAS 36 Impairment of assets – Amendments: The changes clarify disclosure requirements regarding significant goodwill with unlimited useful life. In addition new disclosure requirements were introduced regarding the impairment and the reversal of impairment.
- IAS 39 Financial instruments: recognition and measurement - amendments: the IASB has issued certain clarifications regarding hedge accounting and the introduction of a central clearing counterparty.
- IFRIS 21 Levies: this new interpretation deals with levies which are not income tax and when such levies shall be recognized.

Management believes the adoption of these Standards and Interpretations will not have a significant impact on the results of the entity's operations.

All other Standards and Interpretations which will be effective after 2014 are not applicable to the bank's operations.

Amendments to existing standards and interpretations that are not yet effective have not been the subject of early adoption at AccessBank. Entities shall apply the new standards, amendments to existing standards and interpretations for annual periods beginning on or after the effective date.

In principle, the financial statements have been prepared under the historical cost convention, unless IFRS require recognition and measurement at fair value. Reporting and valuation are undertaken on the assumption that the Company will continue to operate. All estimates and assumptions required for reporting and valuation in conformity with IFRS are best estimates undertaken in accordance with the applicable standards.

AccessBank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current).

The preparation of the financial statements and the valuation of assets and liabilities are to a certain extent based on assumptions and estimates of the management, which may differ from actual value.

Notes to the financial statements (Continued)

(3). Operating Environment of the Bank

The Republic of Liberia displays certain characteristics of an emerging market, including existence of a currency that is not freely convertible in most countries outside the Republic of Liberia and relatively high inflation. The banking sector in the Republic of Liberia is sensitive to adverse fluctuations in confidence and economic conditions. The Liberian economy occasionally experiences reductions in liquidity.

(4). Significant Accounting Policies

(a) Foreign Transactions and balances

The bank records all transactions on initial recognition in its functional currency, by applying to the foreign currency the spot exchange rate.

At each end of subsequent reporting periods foreign currency accounts are translated using the closing rate. Gains and losses resulting from the settlement of foreign currency transactions or the reporting period exchange differences are recognized in the income statement.

(b) Revenue recognition and Interest Income and Expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated as at fair value through profit or loss, are recognized within 'interest income' and 'interest expense' in the income statement using the effective interest method .

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. For loans where there is objective evidence that an impairment loss has been incurred, the accrual of interest income is terminated not later than 90 days after the last payment. Payments received in respect of written-off loans are recorded as a reduction of impairment charge for loan losses.

(c) Fees and commissions

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognized on a straight-line basis over the commitment period.

Performance linked fees or fee components are recognized when the performance criteria are fulfilled.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(d) Loan related fees

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

BAKER TILLY LIBERIA

Notes to the financial statements (Continued)

Significant Accounting Policies (*Continued)*

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

(e) Disclosure of financial assets/liabilities

The Bank allocates financial assets/liabilities to the following categories: loans and receivables, liabilities at amortized costs, financial assets and liabilities at fair value through profit or loss, and available-for-sale financial assets (AFS). Management determines the categorization of its financial instruments at initial recognition.

Financial assets are classified as cash and cash equivalents, loans and advances to banks, loans and advances to customers, investments available for sale and other financial assets.

Purchases and sales of AFS and financial assets at fair value through profit or loss are recorded on the trade date. All other financial instruments are recognized on a settlement date basis.

The fair value of each class of financial instrument corresponds to its book value.

(f) Cash and cash equivalents

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

(g) Loans and advances to banks

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

(h) Loans and advances to customers

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

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

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

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

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

Notes to the financial statements (Continued)

Significant Accounting Policies

(i) Investments available for sale

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

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

Impairment of Financial Assets

At each balance sheet date, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if:

i. there is objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the balance sheet date ("a loss event");
ii. the loss event had an impact on the estimated future cash flows of the financial asset or the group of financial assets and
iii. a reliable estimate of the loss amount can be made.

The impairment of financial assets represents a difference between the carrying value of the asset and current value of estimated future cash flows including amounts which can be received on guarantees and security discounted using an initial effective interest rate on financial assets recorded at amortized value. If in a subsequent period the impairment amount decreases and such a decrease can be objectively associated with an event occurring after recognition of the impairment then the previously recognized impairment loss is reversed with an adjustment of the provision account.

For financial assets carried at cost, impairment losses are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material individually.

The change in the impairment is included into the statement of comprehensive income using the provision account (financial assets recorded at amortized cost) or by a direct write-off (financial assets recorded at cost). Assets recorded in the statement of financial position are reduced by the amount of the impairment. The factors the Bank evaluates in determining the presence of objective evidence of occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors individually or in the aggregate represent, to a great extent, an objective evidence of recognition of the impairment loss on the financial asset or group of financial assets.

It should be noted that the evaluation of losses includes a subjective factor. The management of the Bank believes that the amount of recorded impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, although it is probable that in certain periods the Bank can incur losses greater than recorded impairment.

Notes to the financial statements (Continued)

Significant Accounting Policies

(j) Property and Equipment (PPE)

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

(k) 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.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

(l) Depreciation and impairment of non-financial assets

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

i. Buildings 40 years
ii. Leasehold improvements shorter of lease term or useful life of 15 years
iii. Computers 6 years
iv. Furniture 6 years
v. Motor vehicles 3 years
vi. Other fixed assets 3 - 6 years
vii. Land is not depreciated.

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

(m) Non-current assets held for sale

Individual non-current non-financial assets (and disposal groups) are classified as held for sale if they are available for immediate sale in their present condition subject only to the customary sales terms of such assets (and disposal groups) and their sale is considered highly probable. For a sale to be highly probable, management must be committed to a sales plan and actively looking for a buyer. Furthermore, the assets (and disposal groups) must be actively marketed at reasonable sales price in relation to their current fair value and the sale should be expected to be completed within one year. Non-current non-financial assets (and disposal groups) which meet the criteria for held for sale classification are measured at the lower of their carrying amount and fair value less costs to sell and are presented within "other assets" and "other liabilities" in the balance sheet. The comparatives are not re-presented when non-current assets (and disposal groups) are classified as held for sale. If the disposal group contains financial instruments, no adjustment to their carrying amounts is permitted.

Notes to the financial statements (Continued)

Significant Accounting Policies

(n) Current and deferred income tax

The Bank is subject to income taxes in its jurisdiction. The Bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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

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

Deferred income tax assets including carry-forward tax-losses are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences, tax credits or unused tax losses can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(4.1). Loans from banks and other financial institutions and Customer accounts

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

All financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Loans from banks and other financial institutions and Customer accounts are categorized as financial liabilities at amortized cost.

Borrowing costs are expensed and not capitalized.

(a) Provisions

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

(b) Other financial assets, other financial liabilities

Generally, other financial assets and other financial liabilities are recognized initially at fair value net of transaction costs and subsequently measured at amortized cost.

Other financial assets and other financial liabilities generally comprise trade receivables and trade payables.

Notes to the financial statements (Continued)

Significant Accounting Policies (Continued)

(c) Leases

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

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

AccessBank does not lease assets in finance leases.

(d) Government Grants

AccessBank applies the income approach under which a grant is recognized in profit or loss over one or more periods. In most cases the periods over which AccessBank recognizes the costs or expenses related to government grants are readily ascertainable. Thus grants in recognition of specific expenses are recognized in profit or loss in the same period as the relevant expenses. In line with IAS 20.39 information regarding grants is disclosed in these notes.

(5) **Share based payments**

As part of the management service contract, a performance fee is payable to LFS. The management service contract provides for the possibility to issue young share to settle the performance fee. The management assumes that the fee will be settled in equity according to IFRS 2.

The cost of equity–settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which LFS become fully entitled to the award (the vesting date) the cumulative expense recognized for equity– settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Bank's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period is recorded in other administrative expenses and represents the movement in cumulative expense recognized as at the beginning and end of that period.

Provisions Contingent Liabilities and Contingent Assets

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

Critical Estimates and Judgments

Estimates and judgments are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Loans and advances to customers:

The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

Notes to the financial statements (Continued)

Significant Accounting Policies

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

Property and Equipment:

The Bank tests annually whether property and equipment suffered any impairment, in accordance with the accounting policy stated above. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

Intangible Assets:

At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits.

If such indications exist, the intangible assets are analyzed to assess whether their carrying amount is fully recoverable. An impairment loss is recognized if the carrying amount exceeds the recoverable amount.

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

No intangible assets were impaired as at 31 December 2014 (2013: nil).

Income Taxes:

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

(6) Financial Risk Management

(a) **Principles**

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

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

(b) **Focus on business ethics and service quality**

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

Notes to the financial statements (Continued)

Significant Accounting Policies

(c) **Focus on core business**

By concentrating on our core target group's needs and hence a rather limited range of products, we are able to ensure a high quality of service and a thorough expertise in whatever products are offered: What we do, we want to do well. At the same time, speculative or erratic strategies are avoided. Concentrating sparse management capacity is of particular importance in our countries of operation, where the general level of education is relatively low and poor business ethics are a common phenomenon, leading to relatively high operational risks. Moreover, experience shows that a well-managed portfolio of micro and small business loans is much more resilient to economic shocks than lending to other sectors.

(d) **Focus on training and staff development**

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

(e) **Common management**

A further important element of the overriding risk management strategy is the common management approach, implemented through the technical partner LFS, and the provision of active involvement and control by the headquarters. The proven and well tested approach ensures through permanent and institutionalized exchange of staff and information as well as through control and audit that best practice is followed, synergies are realized and the duplication of errors is avoided. This approach is a conclusion from the observation that management capacity is often the single most important bottleneck for the development and success of microfinance institutions. The linkage between the provision of capital and management services is at the heart of our business concept.

6.1 Management of individual risks

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

The economy we operate in is characterized by a relatively high degree of informal transaction and a rather deficient legal system. Moreover, our typical borrowers (especially in the micro loan segment) often do not possess significant assets that could be pledged as collateral. Having operated for 5 years in this developing and transition economy, AccessBank Liberia Limited is using an approach to lending under these conditions that has allowed it to preserve a good portfolio quality over the years.

The core principle of this technology is that credit decisions are primarily based on a thorough analysis of the borrowers' credit worthiness, i.e. the capacity and willingness of the credit applicant to pay. The debt capacity is reflected in a cash flow projection, forming the basis for the decision on the loan conditions and the payment plan, which in almost all cases is an installment loan with monthly payments of interest and principal. By conducting an in-depth analysis of the borrower's financial status, we avoid overburdening our customers and thus control the danger of over indebtedness. In addition to the financial analysis, other indicators for his/her willingness to pay are assessed, including credit history, credit reference checks through the Central Bank of Liberia's Credit Reference System, statements of guarantors, suppliers, neighbors or employers.

Notes to the financial statements (Continued)

Significant Accounting Policies

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

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

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

The bank and the loan officer build up a long-term client relationship with the borrower, which is based on mutual respect and trust, and implies the promise of access to follow-up loans and other financial services, if the client repays the loan without delay. The long-run client relationship creates incentives for repayment and full disclosure of relevant information. At the same time, the bank continuously increases its knowledge on the borrower, which reduces the bank's operational costs over time. In consequence loan conditions and access to loans is differentiated according to the clients' records which reflect their individual risk profile (graduation principle).

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

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

Loan officers, middle managers and head office have access to online information about any loans in arrears, and are prepared to take immediate action. If a loan officer or individual branch is not able to cope with specific cases, or a general deterioration of the loan portfolio, they are supported by specialized recovery units, credit management and the Banks' legal department.

Based on our experience, we measure the level of credit risk mainly in the Portfolio at Risk (meaning the total outstanding exposure to parties that are in arrears with any part of their obligations) 30 and 90 days. Overall PAR 30 for the Bank was 8.83% as of 31 December 2014 (4.79% in 2013). Write-offs during the year totaled USD 368 thousand or 1.04% of the total portfolio (USD 178 thousand /1.27% in 2013). 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 Ebola Crisis that occurred in the Country in 2014 led to restructuring of loans that would have otherwise gone in long overdue due to the poor economic climate that followed the crisis.

Non-business loans consist mainly of staff loans and make up less than 2% of the total portfolio.

(6.2) Operational and fraud risk

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

Notes to the financial statements (Continued)

Significant Accounting Policies

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

In 2014 no significant loss events occurred in the Bank.

(a) Liquidity risk

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

Our bank's concentrate on lending to micro, small and medium sized enterprises as well as individuals – the portfolio of such loans makes up 55% of total assets for the Bank. The portfolio is highly diversified to a large number of customers, and almost exclusively consists of installment loans with monthly annuity repayments of interest and principal. As described above, portfolio quality has been very good historically, warranting a very strong cash flow to our banks.

The main sources of refinancing are customer deposits (56% of total assets), borrowings from financial institutions (13%) and a high share of equity (31%). Borrowings are both short/long term and from a development finance institution (a shareholder) and a local commercial bank.

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

Liquidity management of the bank is under the responsibility of an Asset and Liabilities 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, all the bank had enough liquidity available at all times to meet all financial obligations in a timely manner.

(b) Interest rate risk

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

Our 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 our bank does incur an interest rate risk. However, given the imperfect nature of the financial markets in Liberia, it is uncertain to which extent changes in international or domestic interest rate levels will impact the interest rate level of our customer loans. Moreover, due to country and sector circumstances, our interest rate margins are relatively high, which would enable us to absorb an adverse change of interest rate margins.

Our bank's ALCO monitor interest rate risk at least on a quarterly basis.

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Notes to the financial statements (Continued)

Significant Accounting Policies

(c) Currency risk

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

AccessBank manages its OCP on a daily basis and does not allow any violation of externally and internally set limits, which are in the range of 20% for single foreign currency and 40% for multiple foreign currencies. No OCP is being held for speculative purposes. In Liberia loans to customers are extended in US Dollars in addition to local currency, when we believe that the borrowers will be able to return their loans even in case of currency fluctuations.

(d) Counterparty risk

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

(e) Country risk

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

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

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

(f) Compliance risks

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

Notes to the financial statements (Continued)

Significant Accounting Policies

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

These and other compliance risks are managed by the relevant departments of our bank, including the finance, treasury, operations and legal departments. Also, a specialized compliance officer has been installed.

(6.3) Organization of the risk management function

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

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

(7) Internal Audit

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

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

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

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

The scope of work of the IAF is to determine whether the system of risk management, internal control and governance processes, as designed and implemented by the management, is adequate and functioning properly in AccessBank. This mainly covers reviewing the functionality, effectiveness and adequacy of the risk management activities of the bank, reviewing the major systems of internal control in all areas of the bank and assessing its adequacy, effectiveness and efficiency, and reviewing the procedures established by management to determine and ensure compliance with all plans, policies, procedures, laws and regulations that could have a significant impact on objectives, operations and reports/financial information.

Notes to the financial statements (Continued)

Significant Accounting Policies

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

In 2014 emphasis was placed on further strengthening the implementation of process based audits in the bank, increasing efficiency via further focusing on risk-oriented auditing and further developing internal IT Audit capacities.

By the end of 2014, 8 auditors are working within the IAF of AccessBank.

(a) Credit Risk

The current quality of the loan portfolio is 8.83% and 2013 4.79%. The portfolio at risk ratio (PAR) is defined as the amount of overdue outstanding loans divided by the amount of outstanding loans.

(b) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The financial statements are presented in USD, which is AccessBank´s functional and presentation currency.

(c) Transactions and balances

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(d) Rates of exchange

The exchange rates used by the Bank in the preparation of the financial statements as at yearend are as follows:

	31 December 2014	**31 December 2013**
Liberian Dollar/1 US Dollar	82.00	82.00
Liberian Dollar/1 Euro	99.67	112.88

(e) Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the statement of financial position when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the Bank does not offset the transferred asset and the associated liability.

Notes to the financial statements (Continued)

(8) **Cash and Cash Equivalents**

In thousands of USD	**31 December 2014**	**31 December 2013**
Cash in branches	**2,545**	**1,290**
LRD	823	437
USD	1,721	853
Correspondent accounts and overnight placements with other banks	**2,079**	**2,728**
Other Countries	49	548
Liberia in LRD	-6	881
Liberia in USD	2,036	1,299
Cash balances with Central bank (Including mandatory reserves)	**4,986**	**2,931**
Mandatory reserves with Central bank LRD	2,066	1,479
Mandatory reserves with Central bank USD	2,920	1,452
Total Cash and cash equivalent balances	**9,610**	**6,949**

(9) Loans and advances to customers

In thousands of USD	**31 December 2014**	**31 December 2013**
Loans and advances to customers by product		
Micro credits	**8,403**	**9,315**
outstanding portfolio	9,402	9,937
accrued interest	327	348
loan loss provisions	(1,103)	(761)
deferred income	(223)	(200)
SME credits	**6,020**	**2,830**
outstanding portfolio	6,510	2,923
accrued interest	37	28
loan loss provisions	(373)	(35)
deferred income	(154)	(86)
Other credits	**302**	**276**
outstanding portfolio	304	272
accrued interest	11	11
loan loss provisions	(13)	(6)
deferred income	-	-
other (if applicable)		
Total loans and advances to customers	**14,726**	**12,422**

Notes to the financial statements (Continued)

Loans and advances to customers (Continued)

An analysis by maturity at 31 December 2014 is as follows:

In thousands of USD	31 December 2014	31 December 2013
Loans and advances to customers by maturity		
Micro credits	**9,402**	**9,928**
- with a maturity of less than 30 days	535	713
- with a maturity of less than 90 days	606	848
- with a maturity of less than 180 days	1,777	2,493
- with a maturity of less than 360 days	4,138	5,197
- with a maturity of above 360 days	2,346	676
SME credits	**6,510**	**2,924**
- with a maturity of less than 30 days	371	15
- with a maturity of less than 90 days	419	51
- with a maturity of less than 180 days	1,231	248
- with a maturity of less than 360 days	2,865	1,653
- with a maturity of above 360 days	1,624	956
Other credits	**304**	**272**
- with a maturity of less than 30 days	17	1
- with a maturity of less than 90 days	20	3
- with a maturity of less than 180 days	57	7
- with a maturity of less than 360 days	134	26
- with a maturity of above 360 days	76	234
other (if applicable)	-	-
Total loans and advances to customers balances	**16,216**	**13,123**

Provisions	(1,490)	(802)
Deferred Income	(378)	(287)
Accrued Interest	376	387
Total loans and advances to customers balances	**14,726**	**12,422**

Notes to the financial statements (Continued)

An analysis by credit quality of loans outstanding at 31 December 2014 is as follows:

In thousands of USD	Micro Loans	SME loans	Retail loans to salaried individuals	Staff loans	*Total*
Total current and not impaired	**7,749**	**6,156**	**-**	**284**	**14,189**
Past due but not impaired					
- less than 7 days overdue and/or restructured loans	538	54		2	594
Total past due but not impaired	**538**	**54**	**-**	**2**	**594**
Loans individually determined to be impaired (gross)					
- 8 to 30 days overdue and/or restructured loans	374	84	-	13	471
- 30 to 90 days overdue and/or restructured loans	225	78	-	1	304
- over 90 days overdue and/or restructured loans	516	138	-	4	658
Total individually impaired loans (gross)	**1,115**	**300**	**-**	**18**	**1,433**
Gross carrying value of loans	9,402	6,510	-	304	16,216
Less impairment provisions	(1,103)	(374)	-	(13)	(1,490)
	8,299	**6,136**	**-**	**291**	**14,726**

The movements in the provision for loan impairment during 2013 are as follows:

In thousands of USD	**Micro**	**SME**	**Staff**	**other**	**Total**
Provision for loan impairment at 1 Jan. 2013	**371**	**13**	**1**		**385**
Charge for the year	571	22	5		598
Provision for impairment during the year					-
Amounts written-off during the year as uncollectible	(180)	-	-		(180)
Recovery of previously written-off loans					-
Provision for loan impairment at 31 Dec. 2013	**762**	**35**	**6**	**-**	**802**

Notes to the financial statements (Continued)

The movements in the provision for loan impairment during 2014 are as follows:

In thousands of USD	Micro	SME	Staff	Other	Total
Provision for loan impairment at 1 January **2014**	**761**	**35**	**6**		**802**
Charge for the year	578	338	7		923
Provision for impairment during the year					
Amounts written-off during the year as uncollectible	(236)	-	-		(236)
Recovery of previously written-off loans					-
Provision for loan impairment at 31 Dec. 2014	**1,103**	**373**	**13**	**-**	**1,490**

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

In thousands of USD	31 December 2014 Amount	%	31 December 2013 Amount	%
Trade	13833	85%	11,417	87%
Service	1,453	9%	1,312	10%
Agriculture	-	-	-	-
Household	304	2%	-	-
Manufacturing	626	4%	394	3%
Transportation				
Total (before impairment)	**16,216**	**100%**	**13,123**	**100%**

Information about collateral at 31 December 2013 is as follows:

In thousands of USD	Micro	SME	Staff	other	Total
Unsecured loans			272		272
Loans collateralised by:					
-cash deposits					-
- real estate		2,923			2,923
- vehicle					-
- inventory and equipment	9,928				9,928
- other assets					-
Total	**9,928**	**2,923**	**272**	**-**	**13,123**

Information about collateral at 31 December 2014 is as follows:

In thousands of USD	Micro	SME	Staff	other	Total
Unsecured loans			304		304
Loans collateralised by:					
-cash deposits					-
- real estate		6,510			6,510
- vehicle					-
- inventory and equipment	9,402				9,402
- other assets					-
Total	**9,402**	**6,510**	**304**	**-**	**16,216**

Notes to the financial statements (Continued)

The effect of collateral at 31 December 2014:

In thousands of USD	Over collateralized assets		Under-collateralized assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Micro loans (up to 7,000)	14,103	N/A	-	
SME loans (over 7,000)	16,275	N/A	-	
Staff loans				
other				
Total	**30,378**	**-**	**-**	**-**

The effect of collateral at 31 December 2013:

In thousands of USD	Over collateralized assets		Under-collateralized assets	
	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Micro loans (up to 7,000)	14,998	N/A		
SME loans (over 7,000)	6,761	N/A		
Staff loans				
other				
Total	**21,759**	**-**	-	-

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral obtained are the following:

-cash deposits

- real estate

- inventory and equipment

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Notes to the financial statements (Continued)

(10) Property, plant and equipment

Carrying amount developed within the year:

in thousands of USD	31 December 2014	31 December 2013
Carrying amount property and equipment		
Land and buildings		
Cost	2,607	2,450
Accumulated depreciation	(676)	(518)
Netbook value	**1,931**	**1,932**
Furniture, fixtures, equipment		
Cost	1,287	1,038
Accumulated depreciation	(730)	(541)
Net book value	**556**	**497**
Assets under construction		
Cost	-	-
Accumulated depreciation	-	-
Net book value	-	-
Motor vehicles		
Cost	340	334
Accumulated depreciation	(247)	(161)
Net book value	**93**	**173**
IT hardware/ computers		
Cost	677	603
Accumulated depreciation	(424)	(293)
Net book value	**253**	**311**
Total carrying amount PPE	**2,833**	**2,913**

Notes to the financial statements (Continued)

Property, plant and equipment (Continued)

Cost of property and equipment:

In thousands of USD	31 December 2014	31 December 2013
Cost of property and equipment		
Land and buildings (incl. e.g. lease hold improvements/ premises)		
Opening balance	2,450	1,835
Additions	157	615
disposals/ transfers	-	-
reclassification/ reversal of impairment	-	-
Closing balance	**2,607**	**2,450**
Furniture, fixtures, equipment		
Opening balance	1,038	768
Additions	248	270
disposals/ transfers	-	-
reclassification/ reversal of impairment	-	-
Closing balance	**1,287**	**1,038**
Assets under construction		
Opening balance	-	-
Additions	-	-
disposals/ transfers	-	-
reclassification/ reversal of impairment	-	-
Closing balance	-	-
Motor vehicles		
Opening balance	334	208
Additions	6	126
disposals/ transfers		-
reclassification/ reversal of impairment	-	-
Closing balance	**340**	**334**
IT hardware/ computers		
as of 1.1.2014	603	477
Additions	74	126
disposals/ transfers	-	-
reclassification/ reversal of impairment	-	-
Closing balance	**677**	**603**
Total cost property and equipment	**4,910**	**4,425**

Notes to the financial statements (Continued)

Property, plant and equipment (Continued**)**

Depreciation developed within the year:

In thousands of USD	**31 December 2014**	**31 December 2013**
Depreciation		
Land and buildings		
Opening balance	(518)	(329)
Charge for the period	(162)	(189)
Reclassification of depreciation/Adj	4	
Accumulated depreciation	**(676)**	**(518)**
Furniture, fixtures, equipment		
Opening balance	(541)	(339)
Charge for the year	(192)	(202)
Reclassification of depreciation/Adj	3	
Accumulated depreciation	**(730)**	**(541)**
Assets under construction		
Opening balance	-	-
Charge for the year	-	-
Accumulated depreciation	-	-
Motor vehicles		
Opening balance	**(161)**	**(89)**
Charge for the year	(88)	(72)
Reclassification of depreciation/Adj	2	
Accumulated depreciation	**(247)**	**(161)**
IT hardware/ computers		
Opening balance	(293)	(179)
Charge for the year	(136)	(114)
Reclassification of depreciation/Adj	4	
Accumulated depreciation	**(424)**	**(293)**
Total depreciation property and equipment	**(2,077)**	**(1,512)**

Notes to the financial statements (Continued)

Intangible assets (Continued)

(11) Intangible assets

In thousands of USD	**31 December 2014**	**31 December 2013**
Carrying amount intangible assets		
Computer software		
Cost	83	83
Accumulated amortization	(72)	(61)
Closing balance	**11**	**22**
LFS-MBS core banking system		
Cost	1,588	1,089
Accumulated amortization	(930)	(618)
Closing balance	**658**	**471**
Total carrying intangible assets	**669**	**493**

In thousands of USD	**31 December 2014**	**31 December 2013**
Cost of intangible assets:		
Computer software		
Opening	83	59
Additions	-	24
transfer/ disposal	-	-
reclassification/ reversal of impairment	-	-
Closing balance	**83**	**83**
LFS-MBS core banking system		
Opening	1,089	712
Additions	499	377
transfer/ disposal	-	-
reclassification/ reversal of impairment	-	-
Closing balance	**1,588**	**1,089**
Total cost of intangible assets	**1,671**	**1,172**

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

Notes to the financial statements (continued)

In thousands of USD	**31 December 2014**	**31 December 2013**
Amortization:		
Computer software		
Opening	(61)	(44)
Charge for the year	(11)	(17)
Accumulated amortization	**(72)**	**(61)**
LFS-MBS core banking system		
Opening	(618)	(338)
Charge for the year	(320)	(280)
Adjustments	8	
Accumulated amortization	**(930)**	**(618)**
Total accumulated amortization	**(1,002)**	**(679)**

(12) Other assets

In thousands of USD	**31 December 2014**	**31 December 2013**
Staff prepayments (salaries)	2	4
Prepayments for lease/ rent	151	142
Prepayments for insurance or other	837	50
Prepayment for software services	-	-
Stationary/ stock of goods	80	103
Other assets	225	886
Total carrying intangible assets	**1,295**	**1,184**

(13) Loans from banks and other financial institutions

In thousands of USD	**31 December 2014**	**31 December 2013**
Loans from banks		
Short term loans (up to 1 year)	1,221	305
Long term loans (above 1 year)	-	-
Loans from other financial institutions		
Short term loans (up to 1 year)	-	-
Long term loans (above 1 year)	1,000	500
Accrued interests	12	-
Total loans from banks and other financial institution	**2,233**	**805**

Notes to the financial statements (Continued)

In October, 2014 the Bank renewed a Memorandum of Understanding with ECOBANK Liberia Limited for a refinancing facility of up to Liberian Dollars 100 Million. The Bank drew down the full 100 Million Liberian dollars on this facility. It bears a 6.0% p.a. interest and is payable in sixty (60) days. The facility can be rolled over until final maturity in September 2015.

In January, 2014, the Bank did a second draw down on the Euro 1.5 Million (convertible to United States Dollars) loan facility with the European Investment Bank. The second tranche of USD 500,000 was drawn down. The loan bears interest rate of 5.39600% p.a. and repayment is due by December 2018.

(14) Deposits from Customers

In thousands of USD	**31 December 2014**	**31 December 2013**
Non-interest bearing customer accounts		
Current accounts	3,746	2,786
Interest bearing customer accounts		
Saving accounts	9,965	8,478
Term deposits	3,106	1,295
Other	202	-
Accrued interests	49	12
Total customer accounts	**17,068**	**12,571**

In thousands of USD	**31 December 2014**	**31 December 2013**
Legal entities		
Interest bearing customer accounts	1,027	664
Non-interest bearing customer accounts	1,630	1,697
Accrued interest	5	4
Individuals		
Interest bearing customer accounts	12,044	9,109
Non-interest bearing customer accounts	2,117	1,089
Accrued interests	44	12
Total customer accounts	**16,867**	**12,571**

Economic sector concentrations within customer accounts are as follows:

In thousands of USD	**31 December 2014**	**31 December 2013**
Individuals	14,205	10,210
Insurance and other financial services	-	-
Trade	-	-
Services	-	-
Manufacturing	-	-
Other	2,662	2,361
Total customer accounts	**16,867**	**12,571**

Notes to the financial statements (Continued)

(15) Other liabilities

In thousands of USD	31 December 2014	31 December 2013
Accrued staff cost (pension fund)	133	-
Accrued cost (audit fee, LFS)	820	511
Other	61	(24)
Total other liabilities	**1,014**	**487**

The Bank's operating result was a loss; therefore, no tax is applied for payment in this case.

(16) Equity

In thousands of USD	31 December 2014	31 December 2013
Share capital	**11,992**	**11,992**
Capital reserve	-	-
IFRS 2 reserve	-	-
Revaluation reserve	-	-
Retained earnings	**(2,727)**	**(1,612)**
Previous years' profit	(1,612)	(1,056)
Current year loss	(1,115)	(556)
Restricted equity (not available for dividends)	-	-
Other reserves	-	-
Total Equity	**9,265**	**10,380**

As at 31 December 2014 and 2013, the following shareholders owned the issued shares of the Bank:

In thousands of USD	**31 December 2014**		**31 December 2013**	
	Amount	%	Amount	%
Access Microfinance Holding	6,552	54%	6,552	54%
IFC	2,231	19%	2,231	19%
European Investment Bank	1,500	13%	1,500	13%
African Development Bank	1,709	14%	1,709	14%
Total Equity	**11,922**	**100%**	**11,992**	**100%**

Notes to the financial statements (Continued)

(17) Interest income

In thousands of USD	2014	2013
Interest income		
Loans and advances to customers	**7,658**	**5,927**
Micro	6,888	5,611
SME	693	284
Other	76	32
Due from other banks	-	-
Other	**1**	**3**
Total interest income	**7,658**	**5,930**

(18) Interest expense

In thousands of USD	2014	2013
Interest expenses		
Customer accounts	**373**	**220**
Current accounts	-	-
Deposits/ savings	201	186
Term deposits	100	35
Other borrowed funds	72	-
Other	-	-
Total interest expenses	**373**	**220**

Interest Income relates to earnings on loans given out by the Bank to its loan clients. These loans bear interest as follows:

Micro Loans 6.0%/month

SME Loans 1.5%/month

Staff Loans 2.2%/month

Interest expense is payment of interest to interest bearing accounts held for customers by the Bank. The interest rates on Savings Account is 2.3% p.a. while on Term Deposits, it ranges from 2% p.a. to 5.5% p.a. on Liberian Dollar Term Deposits and 2.5% p.a. to 6.0% p.a. on USD Term Deposits.

Notes to the financial statements (Continued)

(19) Net fee and commission income

In thousands of USD	2014	2013
Fee and commission income		
Fees and commissions from		
Plastic cards	-	-
Money transfer	92	113
Cash collection	-	-
Fx transactions	-	-
Other	327	486
Total fee and commission income	**419**	**599**

In thousands of USD	2014	2013
Fee and commission expense		
Fees and commissions for		-
plasticcards	-	-
money transfer	-	-
cash transaction	-	-
fx transactions	-	-
other	**-28**	
Total fee and commission expense	**-28**	**-**

Movement in Other consists of fees earned from Banking Services activities in respect of maintenance fees, check books fees, penalties earned on late payment of loans, fees on instant statements and fees on guarantees.

(20) Net Profit/(Loss) from FX Transactions

In thousands of USD	**2014**	**2013**
Foreign exchange differences realized	11	24
Revaluation gain/losses on fx positions	(123)	(112)
Translation differences	15	-
Total net profit/loss from fx operations	**(97)**	**(88)**

A part of the Bank's operations include the purchase of USD from clients. It also sells USD to some of its loan clients in need of USD to settle their loan obligations. The foreign exchange differences realized is as a result of these transactions. Additionally, the Bank, during the period bought USD 345,800 to support it's in country liquidity need. This resulted into a loss of LRD as a result of the higher than normal exchange rate for the purchase of the United States Dollars.

Revaluation gains /losses on foreign exchange positions result from the devaluation of the LRD against the United States Dollars. During the year the rate of devaluation was around 2% moving from LRD 82:1 USD at 12/31/2013 to LRD 84:1 USD before settling back at LRD 82:1 USD as at 12/31/2014.

Notes to the financial statements (Continued)

(21) Personnel expenses

In thousands of USD	2014	2013
Salaries	3,040	2,231
Bonus payments	-	-
Taxes	-	-
Pension/ health funds	152	110
Other staff related	84	39
Total personnel expenses	**3,276**	**2,380**

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

(22) Other administrative expenses

In thousands of USD	2014	2013
Operating lease expenses	115	224
Depreciation and amortization	909	913
Repair and maintenance	158	144
Advertising, marketing & Entertainment	39	24
Tax, audit, legal fees	117	182
Printing, stationary and office supplies	334	444
Management Service Contract	1,371	1,073
Communication expenses	90	793
Fuel, Lubricant and Electricity	406	435
Other	759	351
Total other administrative expenses	**4,298**	**3,870**

(23) Deferred Tax Expense/Asset

The Government of Liberia operates a Presumptive Tax system. There is a charge of 2% on gross income of the Bank which is paid as Presumptive Tax. The Bank has, since its inception, been paying this tax on a quarterly basis despite the annual losses. This tax is carried forward over a period of not less than five years and is recoverable against future taxes to be paid on profit.

Transactions with related parties

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

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

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