Access Bank (SL) Limited

Financial statements
for the year ended 31 December 2020

This report contains 94 pages
Ref: A010/sm/bow

Contents

Notes

Corporate information

Board of Directors	**:**	Mrs. Alice Maria Onomake	Chairperson
		Mr. Alusine Jalloh	Chairman (Resigned: February 2020)
		Mr. Ganiyu Olayinka Sanni	Managing Director
		Mr. Paulinus Ejezie	Director
		Ms. Aminata Dumbuya	Director
		Mr. Maurice Nathaniel Cole	Director (Appointed: April 2020)
		Mr. Kolawole Augustine Ajimoko	Director (Appointed: February 2020)
		Mr. Fatai Tunde Oladipo	Director (Appointed: February 2020)
		Mr. Dolapo Ogundimu	Director (Resigned: February 2020)
		Mr. Arinze Okeke	Director (Resigned: February 2020

Registered office **:** 30 Siaka Stevens Street
Freetown

Solicitors **:** Wright and Co
8 Pademba Road
Freetown

Corporate Secretaries **:** Freetown Nominees
55 Sir Samuel Lewis Street
Freetown

Auditors **:** Baker Tilly
Chartered Accountants
Baker Tilly House
37 Siaka Stevens Street
Freetown
Sierra Leone

Report of the Directors

The Directors have pleasure in submitting their report to Shareholders together with the audited financial statements for the year ended 31 December 2020.

Director's responsibility statement

The Directors are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 December 2020 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act 2009 of Sierra Leone, the Banking Act of Sierra Leone and the Banking Regulations of Sierra Leone, 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.

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

Parent company

The Bank's parent company is Access Bank PLC a public liability company incorporated and domiciled in Nigeria. The address of its registered office is Plot 1665, Oyin Jolayemi Street, Victoria Island, Lagos, Nigeria.

Share capital

Details of the Bank's share capital are shown in note 24 to these financial statements.

Principal activity

The Bank is engaged in corporate and retail banking activities and asset management services.

Profit for the year

Profit for the year after taxation was Le 15 billion (2019: Le 2.2 million)

Dividends

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

Report of the Directors *(continued)*

Capital adequacy

The Bank is required to maintain a minimum capital adequacy ratio of 15% of total adjusted asset. As at 31 December 2020 the capital adequacy of the Bank was 127.78% (2019: 65.6%). Details of the computation are shown in note 5(d) to the financial statements.

Property and equipment

Details of the Bank's property and equipment are shown in note 19 to these financial statements.

Employment of disabled people

Access Bank (SL) Limited does not discriminate against a qualified individual with disability, with regards to recruitment, advancement, training, compensation, discharge or other terms, conditions or privileges of employment'. There were no disabled persons employed during the year.

Health, safety and welfare at work

The Bank has retained the services of a medical doctor for all employees of the Bank and a condusive office environment is maintained for staff and visitors, with adequate lighting and ventilation.

Employee involvement and training

There are various forums where the staff meet and discuss issues that relate to them and their progress at the work place, these include unit meetings, and regular general meetings, there are other schemes where in staff can discuss there personal issues such as the 'buddy scheme' and the 'mentoring programme'.

There is an approved training schedule for the Bank and staff are trained both locally and internationally in various areas to improve their skills and knowledge. The Bank also has a staff performance appraisal process through which staff are appraised and promotions and/or increments are made.

Directors and their interests

The names of Directors are detailed on page 1. As at 31 December 2020 none of the Directors had any interest in the share capital of the Bank.

Report of the Directors *(continued)*

Approval of the financial statements

The financial statements of the Bank as indicated above were approved by the Board of Directors on ……19 MARCH,………………2021.

……………………………… **Director**

……………………………… **Director**

……………………………… **Director**

FREETOWN NOMINEES LIMITED

……………………………… **Secretary**

Baker Tilly SL
Baker Tilly House
37 Siaka Stevens Street
P.O Box 100
Sierra Leone
Telephone +(232) 30-444-100

Independent Auditors' report to the Shareholders of Access Bank (SL) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Access Bank (SL) Limited, set out on pages 10 to 94 which comprise the statement of financial position as at 31 December, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of Sierra Leone, the Banking Act of Sierra Leone and the Banking Regulations of Sierra Leone.

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' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Sierra Leone, 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.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of Sierra Leone, which we obtained prior to the date of this report. Other information 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 an audit opinion or any form of assurance conclusion thereon.

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Independent Auditors' report to the Shareholders of Access Bank (SL) Limited *(continued)*

Other Information (continued)

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 on the other information obtained prior to the date of this Auditor's report, 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 Directors and those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of Sierra Leone, the Banking Act of Sierra Leone and the Banking Regulations of Sierra Leone, 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. Those charged with governance 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 judgment and maintain professional scepticism throughout the audit. We also:

Independent Auditors' report to the Shareholders of Access Bank (SL) Limited *(continued)*

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditors' report to the Shareholders of Access Bank (SL) Limited *(continued)*

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

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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Bank's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other Legal and Regulatory Requirements

In accordance with the requirements of Section 113 (2) of the Banking Act of Sierra Leone we report that:

- We were able to obtain all the information and explanation required for the efficient performance of our duties; and
-
- The Banks transactions were within its powers; and

- The Bank has complied with the relevant provisions of the Banking Act of Sierra Leone.

The Engagement Partner on the audit resulting in the Independent Auditor's report is Derrick L. Kawaley.

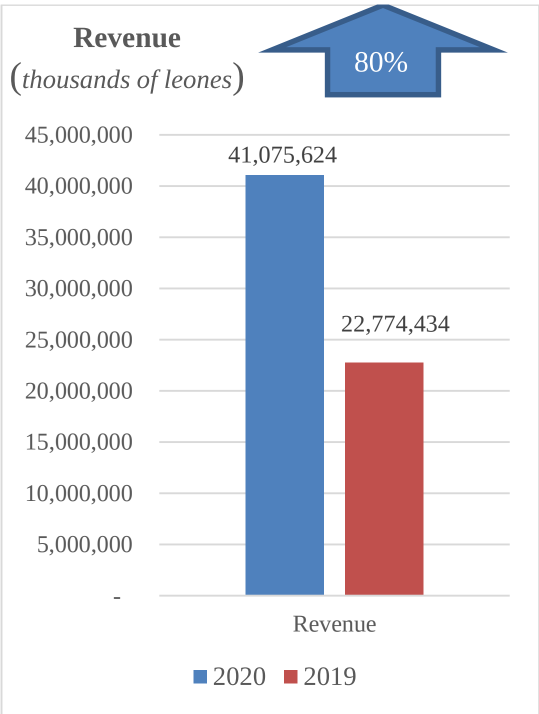
Baker Tilly

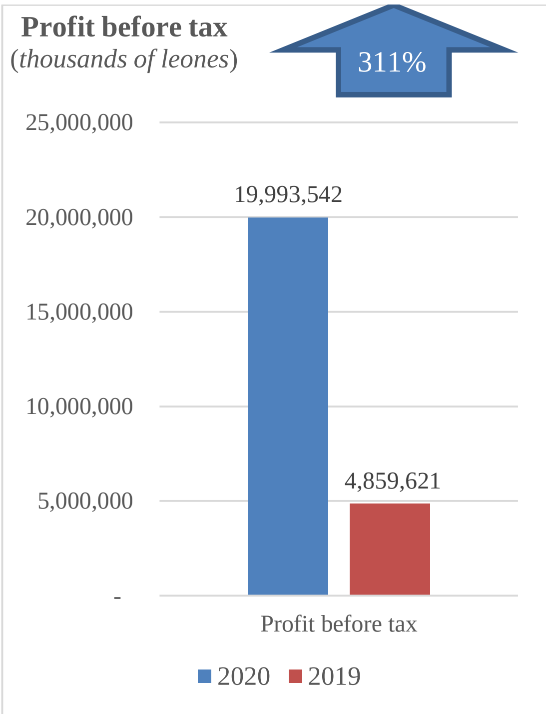
Freetown

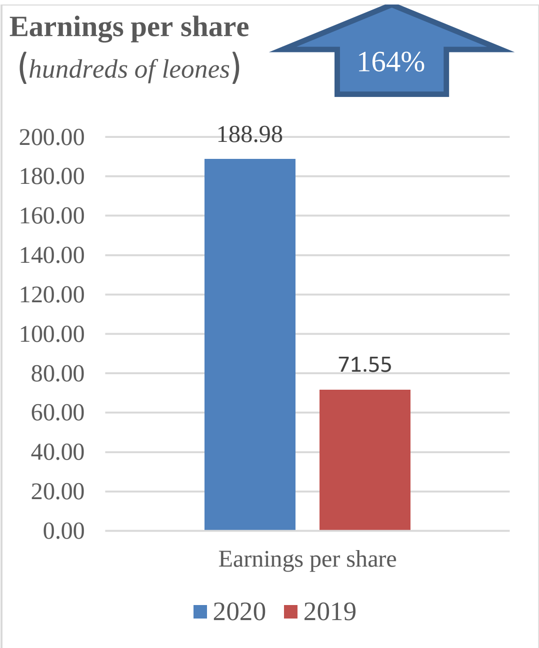
Chartered Accountants

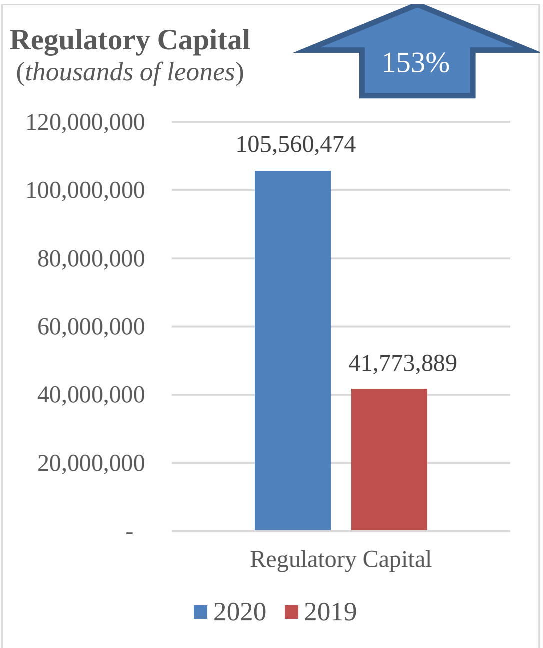
Date: 19 March 2021

Financial highlights









Statement of financial position

As at 31 December 2020

In thousands of Leones	Note	2020	Restated 2019	Restated 2018
Assets				
Cash and balances with banks	*16*	**52,962,058**	14,724,010	10,368,688
Loans and advances to customers	*17*	**33,082,193**	22,926,224	21,544,039
Investment securities	*18*	**207,832,329**	130,814,339	99,698,893
Property and equipment	*19*	**21,861,268**	14,245,935	6,765,957
Intangible assets	*20*	**1,742,805**	503,421	428,042
Tax receivables	*14b*	**1,414,339**	1,429,846	132,228
Deferred tax asset	*14e*	-	-	1,264,199
Other assets	*21*	**18,610,325**	20,013,369	17,551,807
Total assets		**337,505,317**	204,657,144	157,753,853
Liabilities				
Deposit from banks	*22b*	**6,503,903**	17,023,086	-
Deposit from customers	*22a*	**219,904,449**	137,471,054	113,640,528
Deferred tax liability	*14e*	**525,299**	285,376	-
Other liabilities	*23*	**5,024,781**	8,134,336	7,400,763
Total liabilities		**231,958,432**	162,913,852	121,041,291
Equity				
Issued capital	*24*	**79,560,815**	30,873,440	30,873,440
Statutory reserves	*25c*	**17,951,201**	10,433,371	9,328,910
Retained earnings	*25d*	**7,720,921**	203,092	(3,871,881)
Credit risk reserves	*25b*	-	-	221,188
Other reserves	*25a*	**313,948**	233,389	160,905
Total equity attributable to equity holders of the Bank		**105,546,885**	41,743,292	36,712,562
Total equity and liabilities		**337,505,317**	204,657,144	157,753,853

These financial statements were approved by the Board of Directors on 19 MARCH 2021

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The notes on pages 16 to 94 are an integral part of these financial statements

Statement of profit or loss and other comprehensive income
for the year ended 31 December

In thousands of Leones	**Note**	**2020**	2019
Interest income	*8*	**42,682,237**	26,654,047
Interest expense	*8*	**(7,017,632)**	(6,673,588)
Net interest income		**35,664,605**	19,980,459
Net fees and commission income	*9*	**2,855,130**	1,990,864
Net trading income	*10*	**2,555,889**	803,111
Revenue		**41,075,624**	22,774,434
Other income	*11*	**2,202,487**	2,335,754
Net impairment loss	*17c*	**(35,000)**	(213,482)
Personnel expenses	*12*	**(3,326,346)**	(3,416,804)
Depreciation and amortisation	*19,20*	**(2,708,953)**	(2,422,542)
Other expenses	*13*	**(17,214,270)**	(14,197,739)
Profit before income tax		**19,993,542**	4,859,621
Income tax expense	*14a*	**(4,957,883)**	(2,650,699)
Profit for the year		**15,035,659**	2,208,922
Other comprehensive income,			
Items that will never be reclassified to profit or loss			
Re-measurements of defined benefit asset		**107,412**	103,549
Related tax		**(26,853)**	(31,065)
Other comprehensive income net of tax		**80,559**	72,484
Total comprehensive income		**15,116,218**	2,281,406

The notes on pages 16 to 94 are an integral part of these financial statements

Statement of profit or loss and other comprehensive income *(continued)*
for the year ended 31 December

In thousands of Leones	**Note**	**2020**	2019
Profit attributable to:			
Equity holders of the Bank		**15,035,659**	2,208,922
Profit for the year		**15,035,659**	2,208,922
Total comprehensive income attributable to:			
Equity holders of the Bank		**15,116,218**	2,281,406
Total comprehensive income for the year		**15,116,218**	2,281,406

These financial statements were approved by the Board of Directors on 19 MARCH 2021

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The notes on pages 16 to 94 are an integral part of these financial statements

Statement of changes in equity

	Share Capital	Statutory reserve	Retained earnings	Credit Risk reserve	Other reserves	Total
Balance at 1 January 2020	**30,873,440**	**10,433,371**	**203,092**	**-**	**233,389**	**41,743,292**
Total comprehensive income for the year						
Profit for the year	**-**	**-**	**15,035,659**	**-**	**-**	**15,035,659**
Other comprehensive income:						
Re-measurement of defined benefit liability	-	-	**-**	**-**	**107,412**	**107,412**
Tax on defined benefit liability	-	-	-	-	**(26,853)**	**(26,853)**
Total other comprehensive income	**-**	**-**	**-**	**-**	**80,559**	**80,559**
Other transfer						
Transfer to statutory reserve	-	**7,517,830**	**(7,517,830)**	**-**	**-**	-
Total other transfer	-	**7,517,830**	**(7,517,830)**	-		
Total comprehensive income and other transfers	**-**	**7,517,830**	**7,517,829**	**-**	**80,559**	**15,116,218**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	
Shares issued during the year	**48,687,375**	-	-	-	-	48,687,375
Balance at 31 December 2020	**79,560,815**	**17,951,201**	**7,720,921**	**-**	**313,948**	**105,546,885**

The notes on pages 16 to 94 are an integral part of these financial statements

Statement of changes in equity

In thousands of Leones	Share capital	Restated Statutory reserve	Restated Retained earnings	Credit risk reserve	Other reserves	Total
Balance at 1 January 2019	30,873,440	9,764,740	(2,753,108)	221,188	160,905	38,267,165
Tax adjustment	-	-	(1,554,603)	-	-	(1,554,603)
Restatement of statutory reserve on restatement of retained earnings	-	(435,830)	435,830	-	-	-
Restated balance at 1 January 2019	30,873,440	9,328,910	(3,871,881)	221,188	160,905	36,712,562
Adjustment on initial application of IFRS 16	-	-	2,749,324	-	-	2,749,324
Total comprehensive income for the year						
Profit for the year	-	-	2,208,922	-	-	2,208,922
Other comprehensive income:						
Re-measurement of define benefit liability	-	-	-	-	103,549	103,549
Tax on actuarial gain	-	-	-	-	(31,065)	(31,065)
Total other comprehensive income	-	-	-	-	72,484	72,484
Other transfers						
Allowance for losses on loans and advances	-		221,188	(221,188)	-	-
Transfer to statutory reserve	-	1,104,461	(1,104,461)	-	-	-
Total other transfers	-	1,104,461	(883,273)	(221,188)	-	
Total comprehensive income and other transfers	-	1,104,461	1,325,649	(221,188)	72,484	2,281,406
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners	-	-	-	-	-	-
Balance at 31 December 2019	30,873,440	10,433,371	203,092	-	233,389	41,743,292

The notes on pages 16 to 94 are an integral part of these financial statements

Statement of cash flows

for the year ended 31 December 2020

In thousands of Leones	*Note*	**2020**	2019
Cash flows from operating activities			
Profit for the year		**15,035,659**	2,208,922
Adjustments for:			
Depreciation and amortisation	*19,20*	**2,708,953**	2,422,542
Net impairment loss	*17*	**35,000**	213,482
Net interest income	*8*	**(35,664,605)**	(19,980,459)
Actuarial gain in other reserves		**107,412**	103,549
Effect on the implementation of IFRS 16		-	(1,182,959)
Profit on disposal		-	(57,500)
Income tax		**4,957,883**	2,650,699
		(12,819,698)	(13,621,724)
Changes in:			
Loans and advances		**(10,190,969)**	(1,595,667)
Other assets		**1,403,044**	(2,461,562)
Deposit from banks		**(10,519,183)**	17,023,086
Deposit from customers		**82,433,395**	23,830,526
Other liabilities		**(3,109,555)**	733,573
		47,197,036	23,908,232
Interest received	*8*	**42,682,237**	26,654,047
Interest paid	*8*	**(7,017,632)**	(6,673,588)
Income tax paid	*14b*	**(4,729,306)**	(2,429,807)
Net cash generated from operating activities		**78,132,333**	41,458,884
Cash flows from investing activities			
Acquisition of investment securities		**(77,017,990)**	(31,115,446)
Acquisition of property and equipment	*19*	**(9,960,570)**	(5,820,144)
Acquisition of intangible assets	*20*	**(1,603,100)**	(225,472)
Proceeds from sale of property, plant and equipment		-	57,500
Net cash used in investing activities		**(88,581,660)**	(37,103,562)
Cash flows from financing activities		**-**	**-**
Issue of shares		**48,687,375**	-
Net cash flow from financing		**48,687,375**	-
Net increase in cash and cash equivalents		**38,238,048**	4,355,322
Cash and cash equivalents at 1 January		**14,724,010**	10,368,688
Cash and cash equivalents at year end		**52,962,058**	14,724,010
		=========	=========

The notes on pages 16 to 94 are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

Access Bank (SL) Limited is domiciled in Sierra Leone. The address of the Bank's registered office is 30 Siaka Stevens Freetown. The Bank primarily is involved in retail, consumer banking, business financial services and wholesale Banking services.

2. Basis of accounting

These financial statements have been prepared in accordance with IFRS. They were authorised for issue by the Bank's Board of Directors on ………………………… 2021.

The principal accounting policies applied in the preparation of these financial statements are included in notes 32.

3. Functional and presentation currency

These financial statements are presented in Leones, which is the Bank's functional currency. Except otherwise indicated, financial information presented in Leones has been rounded to the nearest thousand.

4. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is set out below.

(i) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management 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.

Notes to the financial statements *(continued)*

4. Use of judgements and estimates (continued)

(a) Judgements (continued)

(i) Impairment losses on loans and advances (continued)

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.

(ii) Held to maturity investments

The Bank classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. The investments are therefore measured at amortised cost.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2020 is set out below in relation to the impairment of financial instruments and in the following notes in relation to other areas:

- Note 12a - Measurement of defined benefit obligations: The Bank's net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognized post service costs and the fair value of any plan assets are deducted. The calculation is performed annually by a qualified actuary using key actuarial assumptions;

- Note 14 - Income taxes - the Bank is subject to income taxes in Sierra Leone jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 income tax and deferred tax provisions in the period in which such determination is made.

- Notes 26 - Recognition and measurement of provisions and contingencies: A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably. The estimate may be based on key assumptions about the likelihood and magnitude of an outflow of resources.

Notes to the financial statements *(continued)*

4. Use of judgements and estimates (continued)

(b) Assumptions and estimation uncertainties (continued)

Impairment of financial instruments

Assets accounted for at amortised cost are evaluated for impairment on the basis described in note 32 (g)

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

A collective component of the total allowance is established for:

- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired (loss 'incurred but not reported' or IBNR).

The collective allowance for groups of homogeneous loans is established using a formula approach based on historical loss rate experience. Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date. Loss rates are regularly benchmarked against actual loss experience.

The IBNR allowance covers credit losses inherent in portfolios of loans and advances, and held- to-maturity investment securities with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

Notes to the financial statements *(continued)*

4. Use of judgements and estimates (continued)

(b) Assumptions and estimation uncertainties (continued)

Impairment of financial instruments (continued)

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. A collective component of the total allowance is established for groups of homogeneous loans that were not found to be individually impaired (loss incurred but not reported' or IBNR).

The collective allowance for groups of homogeneous loans is established using statistical methods such as a formula approach based on historical loss rate experience. Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and the industry at the reporting date.

The IBNR allowance covers credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired items but the individual impaired items cannot yet be identified.

In assessing the need for collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

5. Financial risk review

This note presents information about the Bank's exposure to financial risks and the Bank's management of capital.

Information on the Bank's financial risk management framework are included in Note 30.

Credit risk:

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(a) Credit risk

For the definition of credit risk and information on how credit risk is managed by the Bank is disclosed in Note 30 (b).

(i) Analysis of credit quality

The tables below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the Bank against those assets.

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

Credit risk

(i) Credit quality analysis

				2020	2019
In thousands of Leones	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Loans and advances to customers at amortised cost					
Grades 1–3: Low–fair risk	**33,423,518**	-	-	**33,423,518**	23,208,381
Grades 4–5: Watch risk	**-**	-	-	**-**	-
Grade 6: Substandard	**-**	-	**-**	**-**	-
Grade 7: Doubtful	**-**	-	**-**	**-**	5,221
Grade 8: Loss	**-**	-	**30,000**	**30,000**	-
	33,423,518	-	**30,000**	**33,453,518**	23,213,602
Loss allowance	**(327,537)**	-	**(21,988)**	**(349,525)**	(265,276)
Other adjustment	**-**	-		**(21,800)**	(22,102)
Carrying amount	**33,095,981**	-	**8,012**	**33,082,193**	22,926,224

Loans and advances to customers at amortised cost – gross carrying amount

Current					
Overdue < 30 days	**33,423,518**	**-**	**-**	**33,423,518**	23,208,831
Overdue > 30 days	**-**	**-**	**-**	**-**	-
Total	**33,423,518**	**-**	**-**	**33,423,518**	23,208,831

Debt investment securities amortised cost

Grades 1-6: Low-fair risk	**207,899,346**	**-**	**-**	**207,899,346**	130,862,456
Loss allowance	**(67,017)**	**-**	**-**	**(67,017)**	(48,117)
	207,832,329	**-**	**-**	**207,832,329**	130,814,339

Financial guarantee contracts

Grades 4-5: Low-fair risk	**2,079,486**	**-**	**-**	**2,079,486**	4,403,965
Loss allowance	**-**	**-**	**-**	**-**	(150)
Carrying amount (provision)	**2,079,486**	**-**	**-**	**2,079,486**	4,403,815

Notes to the financial statements

5. Financial risk review (continued)

(a) Credit risk (continued)

(i) Analysis of credit quality (continued)

Loans with renegotiated terms and the Bank's forbearance policy (continued)

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank's Credit Committee regularly reviews reports on forbearance activities.

For the purposes of disclosures in these financial statements, 'loans with renegotiated terms 'are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Bank has made concessions by agreeing to terms and conditions that are more favorable for the borrower than the Bank had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, earlier repayment or until it is written off. Irrespective of whether loans with renegotiated terms have been derecognized or not, they remain disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

Cash and cash equivalents

The Bank held cash and cash equivalents of Le52.9 billion at 31 December 2020 (31 December 2019: Le 14.7 billion). The cash and cash equivalents represent cash in hand balance with banks and balance with Central Bank.

Notes to the financial statements

5. Financial risk review (continued)

(a) Credit risk (continued)

(i) Collateral held and other credit enhancements, and other financial effect

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

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

	Percentage of exposure that is subject to collateral requirements		
Type of credit exposure	**2020**	2019	**Principal type of collateral held**
Loans and advances to customers	**100**	100	Residential property End of service benefit Marketable securities
Loans and advance to corporate customers			
Letters of credit and guarantees	**100**	100	Cash backed security, Commercial property, floating charges over corporate assets Marketable securities.

The Bank typically does not hold collateral against investment securities, and no such collateral was held at 31 December 2020 or 31 December 2019.

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(a) Credit risk (continued)

ii) Collateral held and other credit enhancements, and other financial effect (continued)

Assets obtained by taking possession of collateral

The Bank did not hold any financial and non-financial assets resulting from taking possession of collateral held as security against loans and advances at the reporting date.

iii) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment
See accounting policy in Note 32 (g).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

the remaining lifetime probability of default (PD) as at the reporting date; with
the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.
- Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(a) Credit risk (continued)

iii) Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

Corporate and rental exposures

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes;
- Data from, press articles;
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities;
- Payment record – this includes overdue status as well as a range of variables about payment ratios;
- Utilisation of the granted limit;
- Requests for and granting of forbearance; and
- Existing and forecast changes in business, financial and economic conditions

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by type of product and borrower. The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly.

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and other qualitative factors.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(a) Credit risk (continued)

iii) Amounts arising from ECL (continued)

Determining whether credit risk has increased significantly (continued)

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank formulates five economic scenarios: a base case, and four other likely scenarios, External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the country.

Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(a) Credit risk (continued)

iii) Amounts arising from ECL (continued)

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan and allocated to Stage 1 (assuming it is not credit-impaired at that time). The Bank renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to stage 1.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(a) Credit risk (continued)

iii) Amounts arising from ECL (continued)

Modified financial assets (continued)

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- date of initial recognition; and
- remaining term to maturity;

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data.

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(a) Credit risk (continued)

Loss allowance

The following table show a reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

				2020			2019	
In thousands of Leones	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortised cost								
Balance at 1 January	**263,986**	**-**	**1,290**	**265,276**	69,036	-	-	69,036
Transfer to Stage 1								
Transfer to Stage 2								
Transfer to Stage 3								
Net remeasurement of loss allowance	**63,551**		**20,698**	**84,249**	194,950	-	1,290	196,240
Balance at 31 December	**327,537**		**21,988**	**349,525**	263,986	-	1,290	265,276

Notes to the financial statements *(continued)*

5. Financial risk management (continued)

(a) Credit risk (continued)

iii) Amounts arising from ECL (continued)

Loss allowance (continued)

	2020	2019
In thousands of Leones	**Total**	Total
Debt investment securities at amortised cost		
Balance at 1 January	**130,814,339**	99,698,893
New financial assets originated or purchased	**77,085,007**	31,163,563
Net remeasurement of loss allowance	**(67,017)**	(48,117)
Balance at 31 December	**207,832,329**	130,814,339
Cash and cash equivalent		
Balance at 1 January	**14,724,010**	10,368,688
Net remeasurement of loss allowance	**-**	(67,999)
Net increase in cash and cash equivalents	**38,238,048**	4,423,321
Balance at 31 December	**52,962,058**	14,724,010
Loans commitment and financial guarantee contract		
Balance at 1 January	**4,403,815**	2,997,665
Net remeasurement of loss allowance	**-**	(150)
New loan commitments and financial guarantees issued	**(2,324,329)**	1,406,300
Balance at 31 December	**2,079,486**	4,403,815

iv) Offsetting financial assets and financial liabilities

No financial assets and financial liabilities including financial instruments such as loans and deposits were offset in the Bank's statement of financial position nor were there any financial assets and financial liabilities that were subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(i) Credit risk (Continued)

(v) Concentration of credit risk

The Bank monitors concentrations of credit risk by sector and by type of customer. All customers for loans and advances are domiciled in Sierra Leone and the investment debt securities are securities issued by the Government of Sierra Leone. An analysis of concentrations of credit from loans advances, lending commitments financial guarantees and investment securities is shown below:

		Loans and advances to customer		**Investment debt securities**		**Financial guarantees**	
In thousands of Leones	**Note**	**31 December 2020**	31 December 2019	**31 December 2020**	31 December 2019	**31 December 2020**	31 December 2019
Carrying amount							
Amount committed/guaranteed		**33,082,193**	22,926,224	**207,832,329**	130,814,339	**2,079,486**	**4,403,815**
Individuals and others		**3,981,028**	1,786,899	**-**	**-**	**-**	
Private enterprises		**28,839,461**	20,894,264	**-**			
Staff		**261,704**	245,061	**-**	-	**2,079,486**	4,403,815
Public enterprises		-	-	-	13,146,726	**-**	
Government		**-**	**-**	**207,832,329**	117,667,613	-	-
		33,082,193	22,926,224	**207,832,329**	130,814,339	**2,079,486**	4,403,815

Concentration by sectors

Commerce and finance		**19,793,778**	14,879,017	-	13,446,726	**1,247,691**	2,652,379
Transport, storage and communication		**10,921,468**	7,832,264	-	-	**831,795**	1,751,436
Government		**-**	-	**207,832,329**	117,667,613	-	-
Others		**2,366,947**	214,943	-	-	-	-
		33,082,193	22,926,224	**207,832,329**	130,814,339	**2,079,486**	4,403,815

5. Financial risk review (continued)

(b) Liquidity risk

For the definition of liquidity risk and information on how liquidity risk is managed by the Bank, see Note 30(c)

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market less any deposits from banks, customers, and other borrowings and commitments.

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(b) Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities

The tables below set out the remaining contractual maturities of the Bank's financial liabilities and financial assets.

31 December 2020

	Note	Carrying amount	Gross nominal inflow/(outflow)	Less than 1 month	1 - 3months	3 months to 1 year	1 - 5 years	More than 5 years
Financial Liability by type								
Non-derivative liabilities								
Deposit from financial institutions	*22b*	**6,503,903**	**6,503,903**	**6,503,903**	**-**	**-**	**-**	**-**
Deposit from customers	*22a*	**219,904,449**	**219,904,449**	**32,985,667**	**-**	**186,918,782**	**-**	**-**
		226,408,352	**226,408,352**	**39,489,570**	**-**	**186,918,782**	**-**	**-**
Financial Assets by type								
Non-derivative assets								
Cash and cash equivalents	*16*	**52,962,058**	**52,962,058**	**17,303,061**	**20,300,000**	**15,358,997**	**-**	
Investment securities	*18*	**207,832,329**	**207,832,329**	**10,783,232**	**20,783,232**	**176,265,865**	**-**	**-**
Loans and advances to customers	*17*	**33,082,193**	**33,082,193**	**2,270,549**	**5,999,997**	**24,811,647**	**-**	**-**
		293,876,580	**293,876,580**	**30,356,842**	**47,083,229**	**216,436,509**	**-**	**-**

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(a) Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities (continued)

The tables below set out the remaining contractual maturities of the Bank's financial liabilities and financial assets.

31 December 2019

	Note	Carrying amount	Gross nominal inflow/(outflow)	Less than 1 month	1 - 3months	3 months to 1 year	1 - 5 years	More than 5 years
Financial Liability by type								
Non-derivative liabilities								
Deposit from financial institutions	*22b*	17,023,086	17,023,086	17,023,086	-	-	-	-
Deposit from customers	*22a*	137,471,054	137,471,054	107,381,158	13,520,143	16,569,753	-	-
		154,494,140	154,494,140	124,404,244	13,520,143	16,569,753	-	-
Financial Assets by type								
Non-derivative assets								
Cash and cash equivalents	*16*	14,724,010	14,724,010	-	14,724,010	-	-	
Investment securities	*18*	130,814,339	130,814,339	-	-	130,814,339	-	-
Loans and advances to customers	*17*	22,926,224	22,926,224	-	20,615,224	614,299	1,696,701	-
		168,464,573	168,464,573	-	35,339,234	131,428,638	1,696,701	-

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(b) Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities (continued)

The amounts in the table above have been complied as follows:

Type of financial instrument	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.

The Bank's expected cash flows on some financial assets and financial liabilities does not vary significantly from the contractual cash flows. For example, demand deposits from customers are expected to remain stable or increase and unrecognized loan commitments are not all expected to be drawn down immediately.

As part of the management of liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents, and debt securities issued by the Government of Sierra Leone which can be readily sold to meet liquidity requirements.

The table below sets out the carrying amounts of non-derivative financial assets and financial liabilities expected to be recovered or settled more than 12 months after the reporting date.

In thousands of Leones	**Note**	**2020**	2019
Financial assets			
Loans and advances to customers	*17*	**-**	1,696,701
Financial liabilities			
Deposits from banks	*22b*	**-**	-
Deposits from customers	*22*	**-**	-
		=========	=========

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(b) Liquidity risk (continued)

Liquidity reserves

Maturity analysis for financial assets and financial liabilities (continued)

The table below sets out the components of the Bank's liquidity reserve

Liquidity reserves

In thousands of Leones	**2020 Carrying amount**	**2020 Fair value**	2019 Carrying amount	2019 Fair value
Balances with Central Banks	**24,439,335**	**24,439,335**	1,656,474	1,656,474
Cash and cash equivalents	**28,522,723**	**28,522,723**	13,067,536	13,067,536
Total liquidity reserves	**52,962,058**	**52,962,058**	14,724,010	14,724,010

The table below sets out the availability of the Bank's financial assets to support future funding.

2020	**Encumbered**		**Unencumbered**		
In thousands of Leones	**Pledge as Collateral**	**Other**	**Available as collateral**	**Other**	**Total**
Cash and cash equivalents	-	-	**52,962,058**	**-**	**52,962,058**
Loans and advances	-	-	**33,082,193**	**-**	**33,082,193**
Investment securities	-	-	**207,832,329**	**-**	**207,832,329**
Total assets	**-**	**-**	**293,876,580**	**-**	**293,876,580**

2019	**Encumbered**		**Unencumbered**		
In thousands of Leones	**Pledge as Collateral**	**Other**	**Available collateral**	**Other**	**Total**
Cash and cash equivalents	-	-	14,724,010	-	14,724,010
Loans and advances	-	-	22,926,224	-	22,926,224
Investment securities	-	-	130,814,339	-	130,814,339
Total assets	-	-	168,464,573	-	168,464,573

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(b) Liquidity risk (continued)

Financial assets pledged as collateral

Financial assets have not been pledged as collateral for liabilities at 31 December 2020 as shown in the preceding table.

(c) Market risks

For the definition of market risk and information on the metrics (and their limitations) used by the Bank to manage the market risks of trading and non-trading portfolios are included in note 30 (c).

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios.

30 December 2020			**Market risk measures**	
	Note	**Carrying amount**	**Trading portfolios**	**Non-trading portfolio**
In thousands of Leones				
Assets subject to market risk				
Cash and cash equivalents	*16*	**52,962,058**	**-**	**52,962,058**
Loans and advances to customers	*17*	**33,082,193**	**-**	**33,082,193**
Investment securities	*18*	**207,832,329**	**-**	**207,832,329**
		293,876,580	**-**	**293,876,580**
Liabilities subject to market risk				
Deposits from customers	*22a*	**219,904,449**	**-**	**219,904,449**
Deposit from banks	*22b*	**6,503,903**	**-**	**6,503,903**

31 December 2019			Market risk measures	
	Note	Carrying amount	Trading portfolios	Non-trading portfolio
In thousands of Leones				
Assets subject to market risk				
Cash and cash equivalents	*16*	14,724,010	-	14,724,010
Loans and advances to customers	*17*	22,926,224	-	22,926,224
Investment securities	*18*	130,814,339	-	130,814,339
		168,464,573	-	168,464,573
Liabilities subject to market risk				
Deposits from customer	*22*	137,471,054	-	137,471,054
Deposit from banks	*22b*	17,023,086	-	17,023,086

Exposure to market risk portfolio- trading portfolios
The Bank does not hold any trading portfolio.

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(c) Market risk (continued)

Exposure to interest rate risk – non-trading portfolios

A summary of the Bank's interest rate gap position on non-trading portfolio is as follows:

In thousands of Leones	**Note**	**Carrying amount**	**Less than 3 months**	**3-6 months**	**6-12 months**	**1-5 years**	
31 December 2020							
Cash and balances with banks	*16*	**52,962,058**	**37,603,062**	**15,358,996**	**-**		
Investment securities	*18*	**207,832,329**	**20,783,234**	**51,958,082**	**135,091,013**	**-**	
Loans and advances to Customers	*17*	**33,082,193**	**8,270,549**	**11,578,767**	**13,232,877**	**-**	
		293,876,580	**66,656,845**	**78,895,845**	**148,323,890**	**-**	**-**
Deposit from banks	*22b*	**6,503,903**	**6,503,903**	**-**	**-**	**-**	
Deposits from customers	*22a*	**219,904,449**	**32,985,667**	**107,961,779**	**78,957,003**	**-**	
		226,408,352	**39,489,570**	**107,961,779**	**78,957,003**	**-**	
Effect of derivatives held for risk management		**67,468,228**	**27,167,275**	**(29,065,934)**	**69,366,887**	**-**	
		67,468,228	**27,167,275**	**(29,065,934)**	**69,366,887**	**-**	

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(c) Market risk (continued)

Exposure to interest rate risk – non-trading portfolio

In thousands of Leones	**Note**	Carrying amount	Less than 3 months	3-6 months	6-12 months	1-5 years
31 December 2019						
Cash and balances with banks	*16*	14,724,010	14,724,010	-	-	
Investment securities	*18*	130,814,339	38,200,000	14,302,100	78,312,239	-
Loans and advances to customers	*17*	22,926,224	20,615,224	-	614,299	1,696,701
		168,464,573	73,539,234	14,302,100	78,926,538	1,696,701
Deposit from banks	*22b*	17,023,086	17,023,086	-	-	-
Deposits from customers	*22a*	137,471,054	107,381,158	13,520,143	16,569,753	-
		154,494,140	124,404,244	13,520,143	16,569,753	-
Effect of derivatives held for risk management		13,970,433	(50,865,010)	781,957	62,356,785	1,696,701
		13,970,433	(50,865,010)	781,957	62,356,785	1,696,701

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(c) Market risk (continued)

Exposure to interest rate risk – non-trading portfolios

The management of interest rate risk against interest rate gap limits is supplemented by monitoring sensitivity of the Bank's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point (bp) parallel fall or rise in market interest rates.

Sensitivity of projected net interest income at the period end is as follows:

In thousands of Leones

	200 bp (2%) Increase	200bp (2%) Decrease
31 December 2020		
Interest income impact	**853,645**	**(853,645)**
Interest expense impact	**(140,353)**	**140,353**
Net impact	**713,292**	**(713,292)**
31 December 2019		
Interest income impact	533,081	(533,081)
Interest expense impact	(133,472)	133,472
Net impact	399,609	(399,609)

The expected impact on net interest income have been based on a +/- two percent swing in interest rates that may occur during the ensuing year. The computation considered interest income on cash and short-term funds, investment securities and loans and advances; and interest expense all of which are deemed susceptible to interest rate change.

Sensitivity of reported equity to

In thousands of Leones

	200 bp (2%) Increase	200bp (2%) Decrease
31 December 2020		
Net (after tax) interest impact on retained earnings	**534,969**	**(534,969)**
31 December 2019		
Net (after tax) interest impact on retained earnings	279,726	(279,726)

Exposure to interest rate risk – non-trading portfolios

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities and advances to customers to manage the overall position arising from the Bank's non-trading activities. Interest rate movement affect reported equity through the resultant change in retained earnings by the increase or decrease in net interest income reported in profit or loss.

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(c) Market risk (continued)

Exposure to currency risk – non trading portfolios

The Bank takes on exposure to 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 total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2020. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by currency.

Concentrations of assets, liabilities and off balance sheet items

In thousands of Leones	**Le**	**Euro**	**US$**	**GBP**	**Total**
Cash and balances with the with banks	**28,069,891**	**4,236,965**	**18,536,720**	**2,118,482**	**52,962,058**
Treasury bills and other eligible bills	**207,832,329**	**-**	**-**	**-**	**207,832,329**
Loans and advances to customers	**33,082,193**	**-**	**-**	**-**	**33,082,193**
Property and equipment	**21,861,268**	**-**	**-**	**-**	**21,861,268**
Current tax asset	**1,414,339**	**-**	**-**	**-**	**1,414,339**
Other assets	**12,655,021**	**-**	**5,955,304**	**-**	**18,610,325**
Intangible	**1,742,805**	**-**	**-**	**-**	**1,742,805**
Total assets	**306,657,846**	**4,236,965**	**24,492,024**	**2,118,482**	**337,505,317**
Liabilities					
Deposit from customers	**188,245,384**	**3,165,905**	**22,161,347**	**6,331,813**	**219,904,449**
Other liabilities	**5,024,781**	**-**	**-**	**-**	**5,024,781**
Deposit from banks	**6,503,903**		**-**	**-**	**6,503,903**
Deferred tax liability	**525,299**	**-**	**-**	**-**	**525,299**
Total liabilities	**200,299,367**	**3,165,905**	**22,161,347**	**6,331,813**	**231,958,432**
Net on-financial Position	**106,358,479**	**1,071,060**	**2,330,677**	**(4,213,331)**	**105,546,885**
Credit commitments/ financial guaranties	**2,079,486**	**-**	**-**	**-**	**2,079,486**
At 31 December 2019					
Total assets	**185,653,851**	**67,761**	**18,277,464**	**658,068**	**204,657,144**
Total liabilities	**135,604,324**	**214,967**	**26,255,620**	**838,941**	**162,913,852**
Net on-financial position	**50,049,527**	**(147,206)**	**(7,978,156)**	**(180,873)**	**41,743,292**
Credit commitments/ financial guaranties	**4,403,815**	**-**	**-**	**-**	**4,403,815**

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(c) Currency risk (continued)

Exposure to currency risk – non trading portfolios (continued)

Foreign currency sensitivity analysis

Concentration of Leone equivalent of foreign currency denominated assets and liabilities.

2020

In thousands of Leones

	Euro	**US$**	**GBP**	**Total**
Cash and balances with the banks	**4,236,965**	**18,536,720**	**2,118,482**	**24,892,167**
Other assets	**-**	**5,955,304**	**-**	**5,955,304**
Total assets	**4,236,965**	**24,492,024**	**2,118,482**	**30,847,471**
Liabilities				
Deposit from customers	**3,165,905**	**22,161,347**	**6,331,813**	**31,659,065**
Total Liabilities	**3,165,905**	**22,161,347**	**6,331,813**	**31,659,065**
Net on-financial position	**1,071,060**	**2,330,677**	**(4,213,331)**	**(811,594)**

2019

In thousands of Leones

	Euro	US$	GBP	Total
Total assets	67,761	18,277,464	658,068	19,003,293
Liabilities				
Total liabilities	214,967	26,255,620	838,941	27,309,528
Net on-financial position	(147,206)	(7,978,156)	(180,873)	(8,306,235)

The above sensitivity analysis has been based on a 10% change in foreign currency exchange rate against the Leone. The Leone has been relatively stable for the past couple of years, but may well depreciate or strengthen against the foreign currency by a margin of 10 percent.

Notes to the financial statements *(continued)*

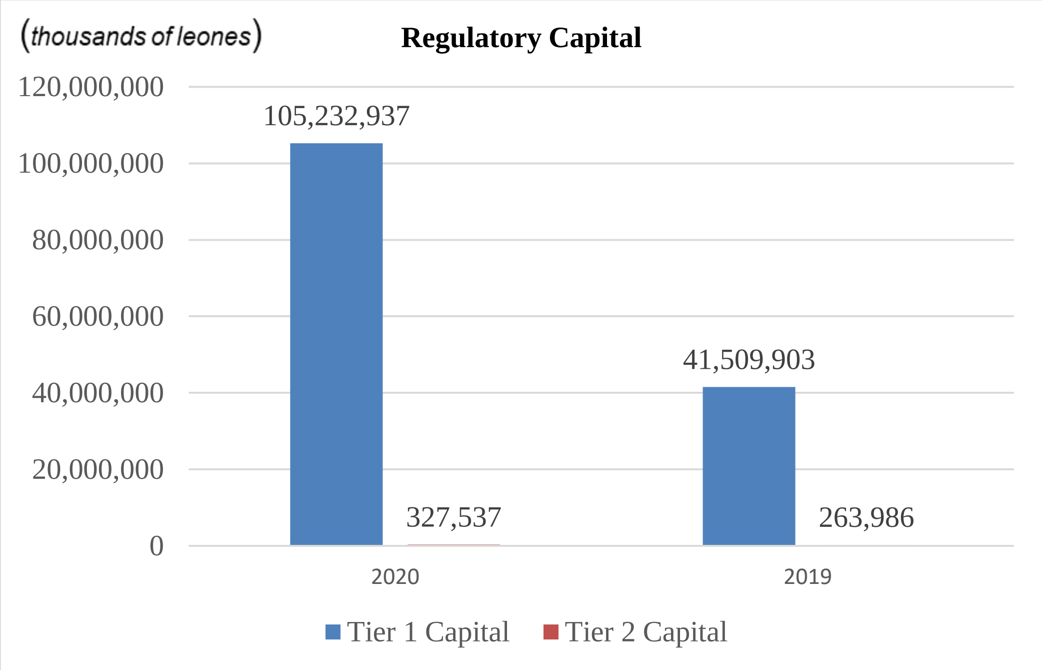
5. Financial risk review (continued)

Exposure to interest rate risk – non-trading portfolios

Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities and advances to customers to manage the overall position arising from the Bank's non-trading activities.

(d) Capital management

Regulatory capital



The Bank's regulator, Bank of Sierra Leone sets and monitors capital requirements for the Bank. In implementing current capital requirements, the Bank of Sierra Leone requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital includes the following:

- Tier 1 capital, which includes paid up ordinary share capital, share premium, retained earnings, translation reserve fund after deductions for goodwill and intangible assets other than computer software, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

- Tier 2 capital, which includes statutory loan loss reserve limited to 1.25% of risk weighted assets total value, and collective impairment allowance limited to 1.25% of risk weighted.

Various limits are applied to elements of the capital base. The amount of qualifying Tier 2 capital cannot exceed Tier 1 capital. There also are restrictions on the amount of collective impairment allowances that may be included as part of Tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investment in the capital of other licensed institutions and non-bank financial institutions and certain other regulatory items.

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(d) Capital management (continued)

Banking operations are categorized as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-financial position exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirements throughout the period, and there have been no material changes in the Bank's management of capital during the period. Banking operations are categorized as either trading book or Banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-financial position exposures.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank has complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the Bank's management of capital during the period.

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(d) Capital management (continued)

Capital adequacy ratio

The capital adequacy ratio is the quotient of the capital base of the Bank and the Bank's risk weighted asset base. In accordance with section 7 (1) of the Banking Act 2019 the Bank is supposed to maintain a minimum ratio of 15%

Capital base*:*

	2020		**2020**	2019
1. Tier 1 capital	**Weighted amount**	**(%)**	**Weighted amount**	Weighted amount
Issued capital	**79,560,815**	**100**	**79,560,815**	30,873,440
Statutory reserves	**17,951,201**	**100**	**17,951,201**	10,433,371
Retained Profit	**7,720,921**	**100**	**7,720,921**	203,092
	105,232,937		**105,232,937**	41,509,903
2. Tier 2 capital	**Weighted amount**	**(%)**	**Weighted amount**	Weighted amount
Statutory loan loss reserve	**-**	**100**	**-**	-
Collective impairment allowance	**327,537**	**100**	**327,537**	263,986
	327,537		**327,577**	263,986
Total capital base	**105,560,474**		**105,560,474**	41,773,889

	31 December 2020			31 December 2019		
	Amount	**%**	**Weighted amount**	Amount	%	Weighted amount
Foreign cash balances	24,892,167	20%	4,978,433	5,856,567	20	1,171,313
Advances (non-cash guaranteed)	33,082,193	100%	33,082,193	22,926,224	100	22,926,224
Other assets	18,610,325	100%	18,610,325	20,013,369	100	20,013,369
Property and equipment	23,604,073	100%	23,604,073	14,749,356	100	14,749,356
	100,188,758		80,275,024	63,545,516		58,860,262
Performance bonds	2,079,486		2,079,486	4,403,315		4,403,815
(Cash securities)	-		-	-		-
	102,268,244		82,354,510	67,948,831		

63,264,077

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(d) Capital management (continued)

Capital adequacy ratio	**127.78%**	65.6%
Capital core ratio	**128.28%**	66 %

The Bank's capital adequacy and core capital ratios are above the statutory minimum of 15% and 7.5% respectively as required by current prudential guidelines for commercial banks.

Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The Banking Supervision Document (BSD 5) is used for this purpose. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily on the regulatory capital, but in some cases the regulatory requirements do not fully reflect the varying degree of risk associated with different activities. In such cases, the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation by Bank Risk and Bank Credit, and is subject to review by the Bank Credit Committee or the Bank Asset and Liability Management Committee (ALCO), as appropriate.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Bank's longer-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

5e. Prudential statistics

The Revised Prudential Guidelines for Commercial Banks specifies ratios which must be met by commercial banks. The statistics recorded by the Bank for the year ended 31 December 2020 are as follows:

Details	**Aggregate exposure to capital base ratio**	**Non-performing loans ratio**	**Loans to deposit ratio**	**Minimum cash reserve**	**Local assets ratio**	**Single borrower limits**
Required ratio	300% (max)	10%(max)	80%(min)	12% (min)	75%(min)	25% 10% (max)
Actual ratio	31%	0.003%	18.15%	145%	85.6%	8 %

Details	**Capital adequacy ratio**	**Liquidity ratio**
Required ratio	**15%**	**60%(min)**
Actual ratio	**127.78%**	**119.7%**

Notes to the financial statements *(continued)*

6. Fair values of financial instruments

See accounting policy in note 32 (g)

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(a) Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Notes to the financial statements *(continued)*

6. Fair values of financial instruments (continued)

(a) Valuation models (continued)

For more complex instruments, the Bank uses proprietary valuation models, which are usually developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

(b) Valuation framework

The Chief Financial Officer has overall responsibility for verifying all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- quarterly calibration and back-testing of models against observed market transactions; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous measurement.

When third party information, such as broker quotes or pricing services, is used to measure fair value, these would be assessed and documented to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

(c) Financial instruments measured at fair value

At the reporting date no financial instruments were reported at fair value.

Notes to the financial statements *(continued)*

6. Fair values of financial instruments (continued)

(d) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

31 December 2020
Assets

	Level 1	**Level 2**	**Level 3**	**Total fair values**	**Total carry amount**
Cash and cash equivalents	-	**52,962,058**	**-**	**52,962,058**	**52,962,058**
Loans and advances to customers	-	**-**	**33,082,193**	**33,082,193**	**33,082,193**
Held-to-maturity investment	**-**	**207,832,329**	-	**207,832,329**	**207,832,329**
Liabilities					
Deposit from banks	-	**6,503,903**	**-**	**6,503,903**	**6,503,903**
Deposits from customers	**-**	**219,904,449**	**-**	**219,904,449**	**219,904,449**

31 December 2019
Assets

	Level 1	Level 2	Level 3	Total fair values	Total carry amount
Cash and cash equivalents	-	14,724,010	-	14,724,010	14,724,010
Loans and advances to customers	-	-	22,926,224	22,926,224	22,926,224
Held-to-maturity investment	-	130,814,339	-	130,814,339	130,814,339
Liabilities					
Deposit from banks	-	-	17,023,086	17,023,086	17,023,086
Deposits from customers	-	-	137,471,054	137,471,054	137,471,054

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, and interest rates. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include information obtained from other market participants, which includes observed primary and secondary transactions.

To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as industry type and default probability.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

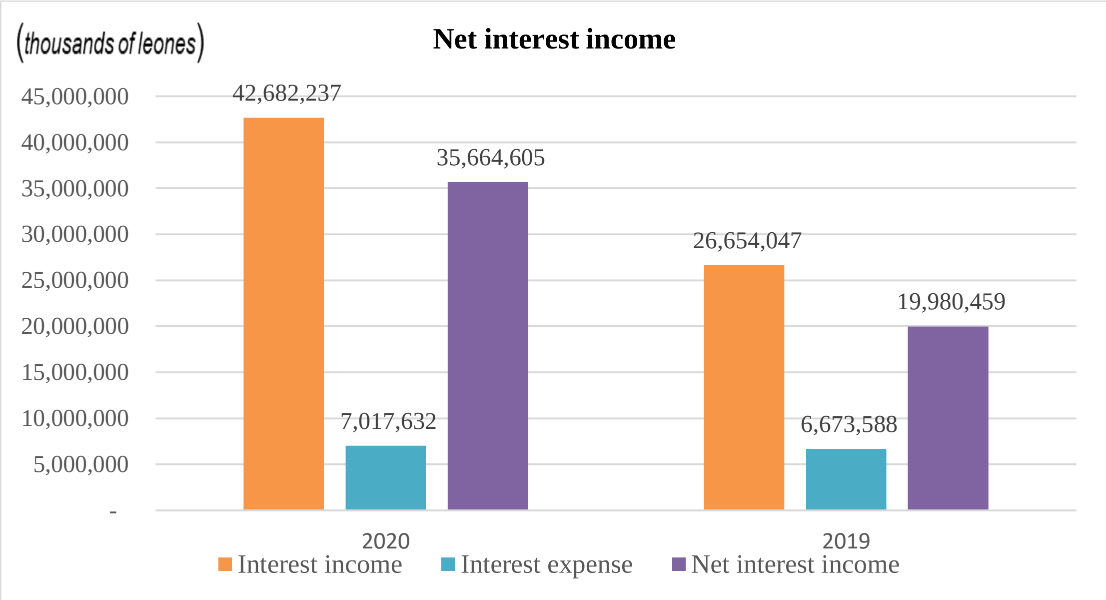
Notes to the financial statements *(continued)*

7. Business segments

The Bank did not maintain and operate separate business segments during the year:

8. Net interest income

See accounting policy in note 32 (b)

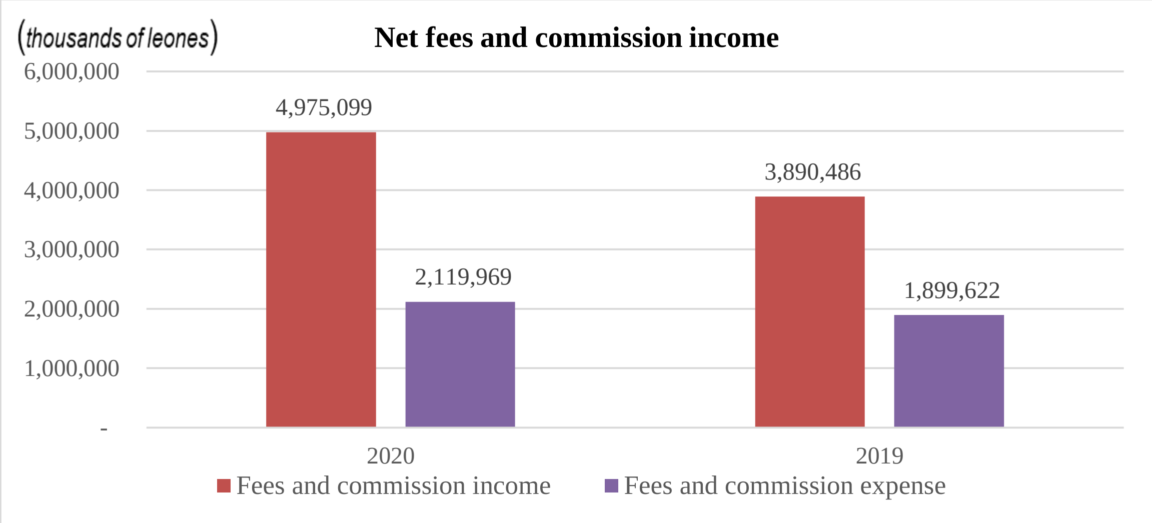


In thousands of Leones	**2020**	2019
Interest income		
Cash and cash equivalents	**681,485**	982,589
Loans and advances to customers	**4,329,676**	3,070,079
Investment securities	**37,671,076**	22,601,379
Total interest income	**42,682,237**	26,654,047
Interest expense		
Deposits from customers	**4,395,276**	3,581,747
Interbank deposits	**2,622,356**	3,091,841
Total interest expense	**7,017,632**	6,673,588
Net interest income	**35,664,605**	19,980,459

Notes to the financial statements *(continued)*

9. Net fee and commission income

See accounting policy in note 32 (c)



In thousands of Leones	**2020**	2019
Credit related fees and commission	**412,393**	237,145
Trade finance and other fees	**1,685,426**	-
Commission on turnover	**2,877,280**	3,653,341
Total fee and commission income	**4,975,099**	3,890,486
Fees and commission expense	**(2,119,969)**	(1,899,622)
Net fees and commission income	**2,855,130**	1,990,864)

Trade finance and other fees relate to income on import and export finance transactions, and other similar transactions. Credit related fees and commission relate to establishment fees earned on loans and advances other than interest income.

Commission on turnover relates to fees earned on activities of the Bank relating to outward and inward remittances service charges on current accounts, and other earnings on similar commission related transactions.

10. Net trading income

See accounting policy in note 32(d)

In thousands of Leones	**2020**	2019
Foreign exchange gain	**163,777,477**	125,429,025
Foreign exchange loss	**(161,221,588)**	(124,625,914)
	2,555,889	803,111

The foreign exchange net trading income includes gains and losses from spot transactions and translated foreign currency assets and liabilities

Notes to the financial statements *(continued)*

11. Other income

In thousands of Leones	**2020**	2019
Rental income	**758,458**	729,463
Other income	**1,444,029**	1,548,791
Gain on disposal of motor vehicle	-	57,500
	2,202,487	2,335,754

12. Personnel expenses

See accounting policy in note 32 (r)

In thousands of Leones	**2020**	2019
Salaries and allowances	**2,326,671**	2,132,116
Compulsory social security obligations	**134,503**	98,121
Medical	**219,577**	121,072
Other employee cost	**645,595**	1,065,495
	3,326,346	3,416,804

a). Movement in net defined benefit (asset)/liability

The following table shows a reconciliation from the opening balance to the closing balances for net defined liability (asset) and its component.

	Defined benefit obligations		**Fair value of plan assets**		**Net defined benefit liability (asset)**	
In thousands of Leones	**2020**	2019	**2020**	2019	**2020**	2019
Balance at 1 January	**408,702**	356,416	-	-	**408,702**	356,416
Included in profit or loss:	**113,129**					
Current service cost	**96,849**	101,544	-	-	**113,129**	101,544
Interest cost (income)	-	76,377	-	-	**96,849**	76,377
	209,978	177,921	-	-	**209,978**	177,921
Included in OCI						
Remeasurements loss (gain):						
- Actuarial gain arising from:						
- Demographic assumptions	-	-	-	-	-	-
- financial assumptions	-	-	-	-	-	-
experience adjustment	**(107,412)**	(103,549)	-	-	**(107,412)**	(103,549)
	(107,412)	(103,549)	-	-	**(107,412)**	(103,549)
Others						
Contributions paid by the employer benefit paid	**(46,794)**	(22,086)	-	-	**(46,794)**	(22,086)
	(46,794)	(22,086)	-	-	**(46,794)**	22,086
Balance at 31December	**464,474**	408,702	-	-	**464,474**	408,702

Notes to the financial statements *(continued)*

12. Personnel expenses (continued)

b) Defined benefits obligation

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date.

	2020	2019
Discount rate	**15%**	22%
Average salary increase	**13%**	19%
Average inflation rate	**2%**	3%

1) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the benefit obligation by the amounts shown below.

	Defined benefit obligation			
Effects in Leones	**31 December 2020**		31 December 2019	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% Movement)	**433,956**	**499,133**	371,950	451,570
Future salary growth (1% movement)	**499,457**	**443,083**	453,285	-
Withdrawal ratio +5 (2019: + 20%)	**472,411**	**443,083**	481,094	-

Notes to the financial statements *(continued)*

13. Other expenses

In thousands of Leones	**2020**	2019
Premises and equipment costs	**2,629,669**	2,131,050
Professional fees	**259,300**	40,000
Business travel expenses	**442,905**	994,669
Administrative expenses	**5,205,765**	3,943,911
Consultancy and IT	**1,706,266**	1,374,471
Outsourcing cost	**2,098,445**	1,549,727
Recruitment and training	**456,778**	216,439
Events, charities and sponsorship	**140,083**	185,008
periodicals and subscription	**24,810**	75,079
Security expenses	**618,492**	624,773
Audit fees	**241,667**	198,000
Cash processing and management cost	**79,793**	39,498
Communication	**748,089**	737,321
Stationeries, postage and printing	**852,550**	325,968
Advertising and business promotion	**286,137**	168,224
Board expenses	**402,050**	461,875
Insurance	**173,438**	148,513
Office provisions and entertainment	**192,546**	240,469
Interest expense on right of use assets	**655,487**	742,744
	17,214,270	14,197,739

14. Tax expense

See accounting policy in note 32(f)

In thousands of Leones	**2020**	2019
(a) Recognised in the income statement		
Income tax expense:		
Current year	**4,744,813**	1,132,189
Deferred tax expense		
Origination and reversal of temporary difference	**213,070**	1,518,510
Total tax expense	**4,957,883**	2,650,699
Reconciliation of effective tax rate		
Profit before income tax	**19,993,542**	4,859,621
Income tax on profit before tax	**4,998,386**	1,457,886
Tax impact of permanent difference:		
Non deductible expenses	**43,127**	37,827
Tax adjustment due to tax charge	**(28,487)**	-
Tax incentives	**(55,143)**	(25,364)
Tax adjustment on PPE	-	1,180,350
Total income tax expense	**4,957,883**	2,650,699

Notes to the financial statements *(continued)*

14. Tax expense (continued)

(b) Income tax asset

In thousands of Leones	**2020**	Restated 2019
Balance at 1 January	**1,429,846**	1,686,831
Tax adjustment	**-**	(1,554,603)
Charge for the year	**(4,744,813)**	(1,132,189)
Income tax paid	**4,729,306**	2,429,807
Balance at 31 December	**1,414,339**	1,429,846

(c) Deferred tax asset

In thousands of Leones	**2020**	2019
Balance at 1 January	**(285,376)**	1,264,199
Charge for the year	**(213,070)**	(1,518,510)
Deferred tax recognised in reserves	**(26,853)**	(31,065)
Balance at 31 December	**(525,299)**	(285,376)

(d) Amounts recognized in OCI

	2020			2019		
In thousands of Leones	**Before tax**	**Tax (expenses) benefit**	**Net of tax**	Before tax	Tax (expense) benefit	Net of tax
Remeasurements of defined benefit Liability (asset)	**107,412**	**(26,853)**	**80,559**	103,549	(31,065)	72,484
	107,412	**(26,853)**	**80,559**	103,549	(31,065)	72,484

Notes to the financial statements *(continued)*

14. Tax expense (continued)

(e) Deferred tax asset and liabilities

Movement in deferred tax balances:

31 December 2020

	Opening balance	**Recognised in profit and loss**	**Recognised in equity**	**Closing balance**
Property and equipment	**546,141**	**206,615**	**-**	**752,756**
Allowance on loan losses	**(138,155)**	**7,741**	**-**	**(130,414)**
Employee benefit	**(237,059)**	**(1,286)**	**-**	**(238,345)**
Employee benefit recognised in other reserves	**114,449**	**-**	**26,853**	**141,302**
	285,376	**213,070**	**26,853**	**525,299**

31 December 2019

	Opening balance	Recognised in profit and loss	Recognised in equity	Closing balance
Property, plant and equipment	(523,544)	1,069,685	-	546,141
Allowance on loan losses	(74,543)	(63,612)	-	(138,155)
Employee benefit	(190,309)	(46,750)	-	(237,059)
Employee benefit recognised in other reserves	83,384	-	31,065	114,449
Tax loss carry forward	(559,187)	559,187	-	-
	(1,264,199)	1,518,510	31,065	285,376

Notes to the financial statements *(continued)*

15. Financial assets and financial liabilities

Classification of financial assets and financial liabilities

31 December 2020 *In thousands of Leones*	***Note***	**Mandatorily at FVTPL**	**Designated as at FVTPL**	**FVOCI debt instruments**	**FVOCI Equity instruments**	**Amortised cost**	**Total carrying amount**
Cash and cash equivalents	*16*	-	-	-	-	**52,962,058**	**52,962,058**
Loans and advances to customers:	*17*	-	-	-	-	**33,082,193**	**33,082,193**
Debt securities issued: Measured at amortised cost	*18*	-	-	-	-	**207,832,329**	**207,832,329**
Other assets	*20*	-	-	-	-	**18,610,325**	**18,610,325**
Total financial assets		**-**	**-**	**-**	**-**	**312,486,905**	**312,486,905**
Deposit from customers	*21*	-	-	-	-	**219,904,449**	**219,904,449**
Deposit from banks						**6,503,903**	**6,503,903**
Other liabilities	*22*	-	-	-	-	**5,024,781**	**5,024,781**
Total financial liabilities		-	-	-	-	**231,433,133**	**231,433,133**

31 December 2019 *In thousands of Leones*	***Note***	**Mandatorily at FVTPL**	**Designated as at FVTPL**	**FVOCI debt instruments**	**FVOCI Equity instruments**	**Amortised cost**	**Total carrying amount**
Cash and cash equivalents	*16*	-	-	-	-	14,724,010	14,724,010
Loans and advances to customers:	*17*	-	-	-	-	22,926,224	22,926,224
Debt securities issued: Measured at amortised cost	*18*	-	-	-	-	130,814,339	130,814,339
Other assets	*20*	-	-	-	-	20,013,369	20,013,369
Total financial assets		-	-	-	-	188,477,942	188,477,942
Deposit from customers	*21*	-	-	-	-	137,471,054	137,471,054
Other liabilities	*22*	-	-	-	-	8,134,336	8,134,336
Deposit from banks						17,023,086	17,023,086
Total financial liabilities		-	-	-	-	162,628,476	162,628,476

Notes to the financial statements *(continued)*

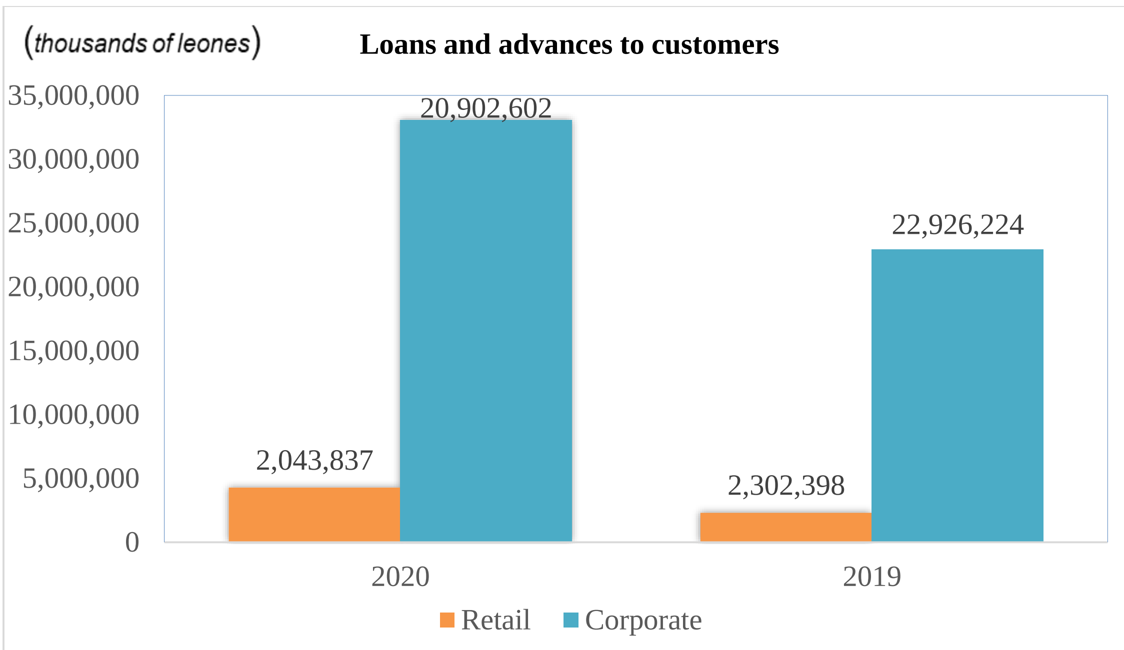
16. Cash and balances with banks

See accounting policy in note 32 (h)

In thousands of Leones	**2020**	2019
Cash in hand and balances with banks	**28,522,723**	13,067,536
Balance with the Central Bank	**24,439,335**	1,656,474
	52,962,058	14,724,010

17. Loans and advances to customers

See accounting policy in note 32 (i)



In thousands of Leones	**2020**	2019
Loans and advances to customers at amortised costs	**33,453,518**	23,213,602
Less: allowances for impairment	**(349,525)**	(265,276)
	33,103,993	22,948,326
Fair value of staff loan	**(21,800)**	(22,102)
	33,082,193	22,926,224

Notes to the financial statements *(continued)*

17. Loans and advances to customers *(continued)*

a Loans and advances to customers at amortized costs

	31 December 2020			31 December 2019		
a. Retail customer:	**Gross amount**	**Impairment allowance**	**Carrying amount**	Gross amount	Impairment allowance	Carrying amount
In thousands of Leones						
Personal loans	**4,023,968**	**(42,940)**	**3,981,028**	2,052,176	(16,941)	2,035,235
Staff loans	**286,562**	**(3,058)**	**283,504**	267,163	-	267,163
Corporate Customer:						
Short and long term loan lending	**29,142,988**	**(303,527)**	**28,839,461**	20,894,263	(248,335)	20,645,928
	33,453,518	**(349,525)**	**33,103,993**	23,213,602	(265,276)	22,948,326
Fair value adjustment on staff loan	-	-	**(21,800)**	-	-	(22,102)
	33,453,518	**(349,525)**	**33,082,193**	23,213,602	(265,276)	22,926,224

b. Allowances for impairment

In thousands of Leones	**2020**	2019
Specific allowances for impairment		
Balance at 1 January	**1,290**	1,290
Impairment loss for the year	**20,698**	**-**
Balance at 31 December	**21,988**	1,290
Collective allowances for impairment		
Balance at the beginning of the reporting period	**263,986**	69,036
Impairment loss for the year	**63,551**	194,950
Balance at 31 December	**327,537**	263,986
Total allowances for impairment	**349,525**	265,276

Notes to the financial statements *(continued)*

17c. Reconciliation of impairment loss

Impairment allowance to statement of comprehensive income

In thousands of Leones	**2020**	2019
Loans and advances	**84,249**	196,240
Treasury bills guarantee and placement	**(49,249)**	17,247
	35,000	213,487

18. Investment securities

See accounting policy in note 32 (j)

In thousands of Leones	**2020**	2019
Held to maturity investment securities	**207,832,329**	130,814,339
	207,832,329	130,814,339

Held to maturity investment securities

In thousands of Leones	**2020**	2019
Treasury bills	**207,832,329**	117,667,613
Money market placement	**-**	13,146,726
	207,832,329	130,814,339

Treasury bills are debt securities issued by the Government of Sierra Leone through the Bank of Sierra Leone for a period of three months to one year. The interest rate on the treasury bills are fixed over the tenor of the security.

Notes to the financial statements *(continued)*

19. Property and equipment

See accounting policy in note 32 (k)

Cost	**Leasehold improvement**	**Motor vehicle**	**Furniture and equipment**	**Work in progress**	**Total**
In thousands of Leones					
Balance as at 1 January 2019	6,512,682	3,718,562	11,203,037	1,421,129	22,855,410
Recognition of right of use assets	9,410,684	-	-	-	9,410,684
Adjusted balance at 1 January 2019	15,923,366	3,718,562	11,203,037	1,421,129	32,266,094
Additions	1,103,635	239,672	2,018,993	2,457,844	5,820,144
Disposal cost	-	(459,126)	-	-	(459,126)
Transfers	-	952,986	1,429,480	(2,382,466)	-
Write-offs	-	(554,646)	-	-	(554,646)
Balance as at 31December 2019	17,027,001	3,897,448	14,651,510	1,496,507	37,072,466
Balance as at 1 January 2020	17,027,001	3,897,448	14,651,510	1,496,507	37,072,466
Additions	3,386,671	1,731,332	2,682,677	2,159,890	9,960,570
Transfers	-	-	-	-	-
At 31 December 2020	20,413,672	5,628,780	17,334,187	3,656,397	47,033,036
Accumulated Depreciation					
Balance as at 1 January 2019	**3,481,718**	**3,246,601**	**9,361,131**	**-**	**16,089,450**
Recognition straight of use assets	**5,478,404**	**-**	**-**	**-**	**5,478,404**
Adjusted balance at 1 January 2019	8,960,122	3,246,601	9,361,131	-	21,567,854
Charge for the year	589,884	464,955	1,217,610	-	2,272,449
Disposal	-	(459,126)	-	-	(459,126)
Write off	-	(554,646)	-	-	(554,646)
Balance as at 31 Dec 2019	9,550,006	2,697,784	10,578,741	-	22,826,531
Balance as at 1 January 2020	**9,550,006**	**2,697,784**	**10,578,741**	**-**	**22,826,531**
Charge for the year	**389,111**	**382,093**	**1,574,033**	**-**	**2,345,237**
Balance as at 31 Dec 2020	**9,939,117**	**3,079,877**	**12,152,774**	**-**	**25,171,768**
Carrying amount					
At 31 December 2020	**10,474,555**	**2,548,903**	**5,181,413**	**3,656,397**	**21,861,268**
At 31 December 2019	7,476,995	1,199,664	4,072,769	1,496,507	14,245,935
At 1 January 2019	6,512,682	3,718,562	11,203,037	1,421,129	22,855,410

There are no capitalised borrowing costs related to the acquisition of plant and equipment during the period ended 31 December 2020 (year ended 31 December 2019: Nil).

Notes to the financial statements *(continued)*

20. Intangible assets

See accounting policy in note 32 (l)

In thousands of Leones	**Computer software**
Cost	
Balance at 1 January 2020	**2,923,932**
Acquisitions	**1,603,100**
Balance at 31 December 2020	**4,527,032**
Balance at 1 January 2019	2,698,460
Acquisitions	225,472
Balance at 31 December 2019	2,923,932
Amortisation	
Balance at 1 January 2020	**2,420,511**
Amortisation for the year	**363,716**
Balance at 31 December 2020	**2,784,227**
Balance at 1 January 2019	2,270,418
Amortisation for the year	150,093
Balance at 31 December 2019	2,420,511
Carrying amount	
At 31 December 2020	**1,742,805**
At 31 December 2019	503,421
At 1 January 2019	2,698,460

There were no capitalised borrowing costs related to the acquisition of software during the year (2019: Nil).

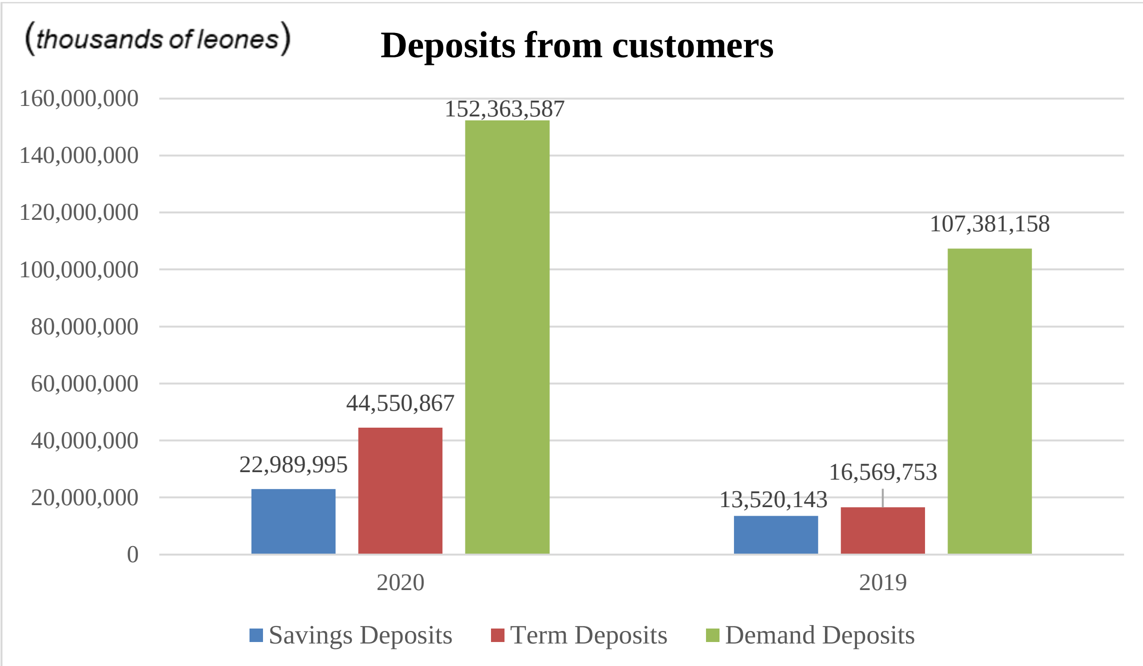
21. Other assets

In thousands of Leones	**2020**	2019
Prepaid expenses	**4,897,980**	5,544,757
Sundry receivables	**12,918,888**	13,801,118
Inventory	**793,457**	667,494
	18,610,325	20,013,369

Notes to the financial statements *(continued)*

22. Deposits from customers

See accounting policy in note 32 (n)



In thousands of Leones	**2020**	2019
Savings deposits	**22,989,995**	13,520,143
Term deposits	**44,550,867**	16,569,753
Demand deposits	**152,363,587**	107,381,158
	219,904,449	137,471,054

22b. Deposits from bank

In thousands of Leones	**2020**	2019
Deposits from local banks	**6,503,903**	17,023,086
	6,503,903	17,023,086

23. Other liabilities

In thousands of Leones	**2020**	2019
Creditors and accruals	**723,718**	3,689,220
Sundry creditors	**3,836,589**	4,036,414
Defined benefit obligation	**464,474**	408,702
	5,024,781	8,134,336

Notes to the financial statements *(continued)*

24. Share capital

See accounting policy in note 32 (s)

	31 December 2020		31 December 2019	
	No. of shares	**Proceeds Le'000**	No. of shares	Proceeds Le'000
Authorised share capital:				
10,000,000 ordinary shares of Le 10,000 each	**10,000,000**	**10,000,000**	10,000,000	100,000,000
Issued and fully paid:				
At 1 January	**3,087,344**	**30,873,440**	3,087,344	30,873,440
Share issued during the year	**4,868,738**	**48,687,375**	-	-
At 31 December	**7,956,082**	**79,560,815**	3,087,344	30,873,440

25. Reserves and retained earnings

See accounting policy in note 32 (s)

a. Other reserves

In thousands of Leones	**2020**	2019
At 1 January	**233,389**	160,905
Net actuarial gain on employee benefit obligation	**80,559**	72,484
At 31 December	**313,948**	233,389

b. Credit risk reserve

See accounting policy in note 32(s)

In thousands of Leones	**2020**	2019
At 1 January	-	221,188
Transfer from retained earnings	-	(221,188)
At 31 December	**-**	-

The credit risk reserve is the excess of impairment losses computed under the prudential guidelines over the impairment losses computed under International Financial Reporting Standards appropriated from retained earnings.

Notes to the financial statements *(continued)*

25. Reserves and retained earnings (continued)

See accounting policy in note 32 (s)

c. Statutory reserve

See accounting policy in note 32(s)

In thousands of Leones	**2020**	2019
At 1 January	**10,433,371**	9,328,910
Transfer from net profits	**7,517,830**	1,104,461
At 31 December	**17,951,201**	10,433,371
	========	=========

In accordance with Section 30 of the Banking Act 2019, the Bank is to maintain a statutory reserve account into which transfers from the net profit of the Bank should be made.

d. Retained earnings

See accounting policy in note 32 (s)

In thousands of Leones	**2020**	Restated 2019
At 1 January	**203,092**	(2,753,108)
Tax adjustment	**-**	(1,554,603)
Restatement of statutory reserve	-	435,830
Restated balance at 1 January	**203,092**	(3,871,881)
Net profit for the year	**15,035,659**	2,208,922
Transfer to statutory reserve	**(7,517,830)**	(1,104,461)
Transfer from credit risk reserve	**-**	221,188
Effect on the implementation of IFRS 16	**-**	2,749,324
At 31 December	**7,720,921**	203,092
	=========	========

The tax adjustment represents additional tax liability payable following the tax assessments by the Authorities for the period up to 31 December 2018. Given that the liability is material, the opening balances of the tax accounts and retained earnings have been restated to provide a fair position of the Bank's financial statements.

26. Contingencies

The contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers are as flows:

a) Acceptances, guarantees and letters of credit

The contractual amounts of the Bank's off-financial position financial instruments that commit it to extend credit to customers are as follows:

	2020	2019
Contingent liabilities	**2,079,486**	4,403,815
	========	=======

Notes to the financial statements *(continued)*

27. Capital commitment

The Bank had no capital commitment as at 31 December 2020 (31 December 2019: Le Nil)

28. Related party transactions

Identity of related parties

The Bank's parent company is Access Bank Plc. which owns 96.7% of the issued share capital of the Bank.

A number of business transactions were entered into with Access Bank Plc. during the period under review. These include recoverable expenses incurred on behalf of Access Bank (SL) Limited. The outstanding balance as at period end were as follows:

In thousands of Leones	**2020**	2019
Recoverable expenses	**514,999**	492,499
	======	=======

Transactions with key management personnel

Key management personnel compensation comprised:

In thousands of Leones	**2020**	2019
Short-term employee benefits	**-**	**-**
	======	======

Directors expenses

In thousands of Leones	**2020**	2019
Director's expenses	**402,050**	461,875
	======	=======

Transactions with directors and officers

There were no other transactions with directors and entities on which the directors and officers of the bank had an interest.

Notes to the financial statements *(continued)*

29. Subsequent events

Events subsequent to the balance sheet are reflected only to the extent they relate directly to the financial statements and their effect is material. There were no such events on the date the financials were signed.

30. Financial risk management

a) Introduction and overview

The Bank's activities expose the business to risks. These risks are managed professionally and in a targeted manner. Key risks arising from core functions are identified and measured to facilitate managing and determining risk positions and capital allocations. The Bank has exposure to the following types of risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Board Credit Committee, which is responsible for developing and monitoring risk policies in their specified areas. The Committees has both executive and non-executive members and reports regularly to the Board of Directors on its activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. 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.

Notes to the financial statements *(continued)*

30. Financial risk management (continued)

Risk management framework (continued)

The Bank's Audit Committee is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

a) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and investment securities. For risk management reporting purposes, the Bank considers and consolidated all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee. A separate risk management group, reporting to the Board Credit Committee, is responsible for oversight of the Bank's credit risk, including:

- *Formulating credit policies* covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- *Establishing the authorisation structure* for the approval and renewal of credit facilities. All facilities require the prior approval of the Bank's Credit Committee. Larger facilities require approval by the Board of Directors as appropriate.

- *Reviewing and assessing credit risk* the Bank's Credit Committee assesses all credit exposures, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.

- *Limiting concentrations of exposure* to counterparties and industries (for loans and advances).

Notes to the financial statements *(continued)*

30. Financial risk management (continued)

a) Credit risk (continued)

Management of credit risk (continued)

- Developing and maintaining the Bank's risk grading in order to categories exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions maybe required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting

- Risk grades lies with the final approving executive/committee as appropriate. Risk grades are subject to regular reviews by internal audit.

- *Reviewing compliance* with agreed exposure limits, including those for selected industries, and product types. Regular reports are provided to the Critised Assets Committee on the credit quality of loan/advances portfolios and appropriate corrective action is taken.

- *Providing advice, guidance and specialist skills* to promote best practice throughout the Bank in the management of credit risk.

Regular audits of the credit processes are undertaken by Internal Audit.

The Bank ensures that correspondent banking relationships and foreign accounts are only maintained with very reputable and stable banking institutions. The performance of these banks are generally reviewed to ensure that the Bank's credit ratings are being maintained and that the relationship is stable. If there are any adverse reports or issues such as a significant drop in the credit rating, of one of its correspondent banks, the Bank would review its relationship with the correspondent bank, and if the credit risk is considered too high, the Bank may significantly reduce its cash balances in that bank and may even end the relationship. Cash balances held with the Central Bank of Sierra Leone and investment securities issued by the Government of Sierra Leone are considered to be virtually credit risk free.

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

The Bank's loans and advances to customers are subject to individual credit appraisal and impairment testing. 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 securities and the Bank generally requests to borrowers to provide it.

Collateral generally is not held over loans and advances to Banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities.

Notes to the financial statements *(continued)*

30. Financial risk management (continued)

b) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Management receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Management then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to customers, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of the Bank are met through short-term investment to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

When the Bank is subject to a liquidity limit imposed by its local regulator, the Bank is responsible for managing its overall liquidity within the regulatory limit in co-ordination with management. Management monitors compliance of all operating activities with local regulatory limits on a daily basis.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Bank. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

c) Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risks

The Bank's exposure to market risk is mainly from portfolios held by the treasury unit, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Notes to the financial statements *(continued)*

30. Financial risk management (continued)

c) Market risks (continued)

Overall authority for market risk is vested in the Board. ALCO is responsible for the development of detailed risk management polices (subject to review and approval by Board and for the day-to-day review of their implementation.

Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Bank's trading portfolios is limits placed on open positions. Specified limits have been set for open positions which are the expected maximum exposure the Bank is to be exposed to.

The Bank uses open position limits for specific foreign exchange risks. The overall structure of the limits is subject to review and approval by Board Credit Committee. Open position is measured at least daily and more regularly for days of active trade. Regular reports of utilization of open limits are submitted to Board Credit Committee.

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rate. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Board Credit Committee is the monitoring body for compliance with these limits and is assisted by Internal Audit in its day-to-day monitoring activities.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various scenarios. Overall non-trading interest rate risk positions are managed by Treasury, which uses investment securities, advances to Banks and deposits from Banks to manage the overall position arising from the Bank's non-trading activities.

Exposure to other market risks – non-trading portfolios

Credit spread risk (not relating to changes in the obligor/issuer's credit standing) on debt securities held by Treasury and equity price risk is subject to regular monitoring, but is not currently significant in relation to the overall results and financial position of the Bank.

Currency risk

The Bank takes on exposure to 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 total for both overnight and intra-day positions, which are monitored daily.

Notes to the financial statement *(continued)*

30. Financial risk management (continued)

d) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with management with summaries submitted to the Audit Committee.

31. Basis of measurement

The financial statements have been prepared on the historical cost basis except for available for sale investment securities measured at fair value and net defined benefit liability.

Which is measured at present value of the defined benefit obligation.

Notes to the financial statements *(continued)*

32. Significant accounting policies

The Bank has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Bank.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reported date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising as retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments.

(b) Interest income and expense

Interest income and expenses are recognized in the income statement for all interest-bearing instruments on an accrual basis using the effective interest rate method.

The recognition of interest ceases when the payment of interest or principals is in doubt. Interest is included in income thereafter, only when it is received.

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, which appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and interest paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expenses presented in the income statement include interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other charges in the fair value of trading assets and liabilities in net trading income.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(c) Fees and commission income

Fees and commissions income and expenses 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 recognised as the related services are performed.

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

(d) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities and includes all realised fair value changes, interest, and foreign exchange differences.

(e) Lease

The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

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. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Bank has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. The Bank has disclosed accounting policies under both IFRS 16 (for the current period) and IAS 17 (for the comparative period presented) in order for users to understand the current period as well as comparative information and changes in significant accounting policies.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured as if IFRS 16 had always been applied, but using the incremental borrowing rate at the date of initial application. The date of initial application is the beginning of the annual reporting period in which the Bank first applies the standard, which is 1 January 2019.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(e) Lease (continued)

Policy applicable from 1 January 2019 (continued)

i. As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of the lease term or the cost of the right-of-use asset reflects that the Bank will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. 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 initially measured at the present value of the remaining lease payments at the date of initial application, 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 obtaining the average market bank lending rates and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

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.

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 that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(e) Lease (continued)

Policy applicable from 1 January 2019 (continued)

i. As a lessee (continued)

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative standalone prices. When the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Bank applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Bank applies IFRS 15 to allocate the consideration in the contract.

The Bank applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease. The Bank recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’.

Generally, the accounting policies applicable to the Bank as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(e) Lease (continued)

Policy applicable from 1 January 2019 (continued)

ii. As a lessor (continued)

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Bank determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.
- An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

i. As a lessee

In the comparative period, as a lessee the Bank classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Bank's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(e) Lease (continued)

Policy applicable before 1 January 2019 (continued)

ii. As a lessor

When the Bank acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Bank made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Bank considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

(f) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or OCI.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to the payable in respect of previous years.

Income tax payable on profits based in the applicable tax law in Sierra Leone is recognized as an expense in the period in which the profits arise. The tax effects of income tax losses available for carrying forward are recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(f) Income tax expense (continued)

Additional income taxes that arise from the distribution of dividends are recognised at the same time, as the liability to pay the related dividend is recognised.

(g) Financial assets and financial liabilities

(i) *Recognition*

The Bank initially recognizes loans and advances and deposits on the date that they are originated. All other financial assets and liabilities including assets and liabilities designated at fair value through profit or loss are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions in the instrument.

A financial asset or financial liability is measured at fair value plus for an item not at fair value through profit or loss, transactions costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial assets

The Bank classifies its financial assets in one of the following categories:

- loans and receivables,
- held to maturity;
- available-for-sale; or
- at fair value through profit or loss and within the category as
  - held for trading; or
  - designated at fair value through profit or loss.

Financial liabilities

The Bank classifies its financial liabilities as measured at amortised cost or fair value through profit or loss.

(iii) De*recognition*

Financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

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 transferred), 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 other comprehensive income is recognised in profit or loss.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

(iii) D*erecognition (continued)*

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include for example securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Bank retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all 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.

In certain transactions the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(*iv) Offsetting*

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when the Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any differences between the initial amount recognised and the maturity amount minus any reduction for impairment.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

(vi) Fair value measurement

Policy applicable from 1 January 2014

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices 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 maximize the use of relevant observable inputs and minimize 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.

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. 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 recognized 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.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

(vi) Fair value measurement (continued)

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 fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Policy applicable before 1 January 2014

'Fair value' is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Bank establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

(vi) Fair value measurement (continued)

Policy applicable before 1 January 2014 (continued)

In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

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. Where the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or ask price adjustment is applied only to the net open position as appropriate.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

(vii) Identification and measurement of impairment

At each reporting date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer
- default or delinquency by a borrower,
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise,
- indications that a borrower or issuer will enter bankruptcy,
- the disappearance of an active market for a security,
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Bank, or economic conditions that correlate with defaults in the Bank.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

The Bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Bank uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost 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 asset's original effective interest rate.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

The Bank writes off certain loans and advances and investment securities when they are determined to be uncollectible.

(viii) Designation at fair value through profit or loss

The Bank has designated financial assets and liabilities at fair value through profit or loss in the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Note 15 sets out the amount of each class of financial asset or liability that are measured at amortised costs and or classified as available for sale.

A description of the basis for each designation is set out in the note for the relevant asset or liability class.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances with other banks, unrestricted balance held with the Bank of Sierra Leone and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the balance sheet.

(i) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Loans and advances to banks are classified as loans and receivables. Loans and advances to customers include:

- those classified as loans and receivables
- those designated as at fair value through profit or loss; and
- finance lease receivables

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. When the Bank chooses to designate the loans and advances as measured at fair value through profit or loss as described in the accounting policy, they are measured at fair value with face value changes recognized immediately in profit or loss.

When the Bank is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (“reverse repo” or “stock borrowing”), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank’s financial statements.

(j) Investment securities

Investment securities are initially measured at fair value plus in case of investment securities not at fair value through profit or loss, incremental direct transaction costs, and subsequently accounted for depending on their classification as either held to maturity, fair value through profit or loss, or available for sale.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(j) Investment securities (continued)

(i) Held-to-maturity

Held-to-maturity investment are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Bank from classifying investment securities as held to maturity for the current and the following two financial years.

However, sales and reclassifications in any of the following circumstances would not trigger a reclassification.

- Sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- Sales or reclassifications after the Bank has collected substantially all of the asset's original principal; and
- Sale or reclassifications that are attributable to non-recurring isolated events beyond the Bank's control that would not have been reasonably anticipated.

(ii) Fair value through profit or loss

The Bank does not hold any securities designated at fair value, with fair value changes recognised immediately in profit or loss.

(iii) Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available for sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Other fair value changes other than impairment losses are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in equity are reclassified to profit or loss as a reclassification adjustment.

A non-derivative financial asset may be reclassified from the available-for-sale category to the loans and receivables category if it would otherwise have met the definition of loans and receivables and if the Bank has the intention and ability to hold that financial asset for the foreseeable future or until maturity.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

(k) Property and equipment

(i) Recognition and measurement

Land and buildings comprise mainly branches and offices. All property, plant and equipment are stated at historical cost less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchase software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Bank and the cost of the items can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Major improvements are capitalised

(iii) Depreciation

Leasehold property is amortised over the periods appropriate to the relevant lease terms on a straight-line basis.

Equipment and fixtures and fittings are depreciated on a straight-line basis over its estimated useful life, principally five years and not exceeding the period of the lease of the associated property.

However, motor vehicles and computer hardware are depreciated on a straight-line basis over a period of four and three years respectively.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gain and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(l) Intangible assets

Software

Software acquired by the Bank is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is between three to five years.

(m) 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(m) Impairment of non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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 amortisation, if no impairment loss had been recognised.

(n) Deposits

Deposits are initially measured at fair value, with fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(o) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognizes any impairment loss on the assets associated with that contract.

(p) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

All financial guarantee liabilities are disclosed by way of notes in the financial statements and are only included in other liabilities if the liability has crystalized or becomes probable that it will crystalize.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(q) Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components, whose operating results are reviewed regularly by the Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(r) Employee benefits

(i) Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services provided.

A liability 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 and constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

(ii) Defined contribution plans

The Bank pays contributions to the National Social Security and Insurance Trust on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense in profit and loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted.

The calculation is performed annually by a qualified actuary using the projected unit credit method.

The Bank recognizes all actuarial gains and losses arising from defined benefit plans and all expenses related to defined benefit plans in employee benefit expense in profit or loss.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(r) Employee benefits (continued)

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

(s) Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Deposit for shares

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The deposit for shares received has been presented as a component of equity.

(iii) Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are paid to the Bank's shareholders. Dividends for the period that are declared after the financial position date are dealt with in the subsequent events note.

(iv) Statutory reserves

Statutory reserves are based on the requirements of section 24 of the Banking Act of Sierra Leone. Transfers into statutory reserves are made in accordance with the relationship between the Bank's reserve fund and its paid up capital, which determines the proportion of profits for the period that should be transferred.

(v) Credit risk reserves

This is a reserve created to set aside the excess between amounts recognized as impairment loss on loans and advances based on provisions made for bad and doubtful loans and advances calculated in accordance with IFRS and the Central Bank's prudential guidelines.

(vi) Other reserves

Other reserves represent net actuarial gains or losses on the defined benefit obligation of the Bank.

Notes to the financial statements *(continued)*

33. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements.

A. Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. 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 is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

B. Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39,

IFRS 7, IFRS 4 and IFRS 16)
The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and hedge accounting.

C. Other standards

The following new and amended standards are not expected to have a significant impact on the Bank's financial statements.

- *COVID-19-Related Rent Concessions (Amendment to IFRS 16).*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).*
- *Reference to Conceptual Framework (Amendments to IFRS 3).*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1).*
- IFRS 17 *Insurance Contracts* and amendments to IFRS 17 *Insurance Contracts*