Access Bank (SL) Limited

Financial statements
for the year ended 31 December 2021

This report contains 93 pages
Ref: A010/sm/bow

Contents

Notes

Corporate information

Board of Directors	:	Mrs. Alice Maria Onomake	Chairperson
		Mr. Ganiyu Olayinka Sanni	Managing Director
		Mr. Paulinus Ejezie	Director
		Ms. Aminata Dumbuya	Director
		Mr. Maurice Nathaniel Cole	Director
		Mr. Kolawole Augustine Ajimoko	Director
		Mr. Fatai Tunde Oladipo	Director

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 2021.

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 2021 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 18.5 billion (2020: Le 15 million)

Dividends

The Directors do not recommend payment of dividend for the year ended 31 December 2021 (2020: 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 2021 the capital adequacy of the Bank was 93.6% (2020: 128.28%). 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 2021 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 ……24TH……… MARCH…………2022.

……………………………………
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 93 which comprise the statement of financial position as at 31 December, 2021, 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, 2021, 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.

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.

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

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

- 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.

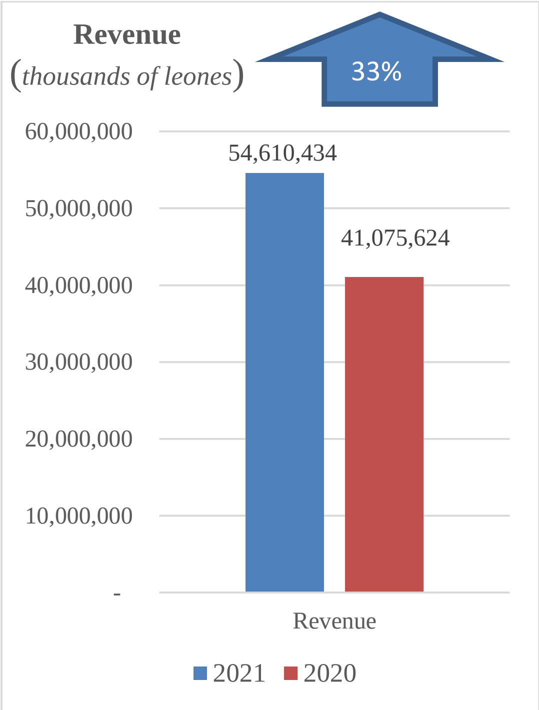
The Engagement Partner on the audit resulting in the Independent Auditor's report is Derrick L. Kawaley.

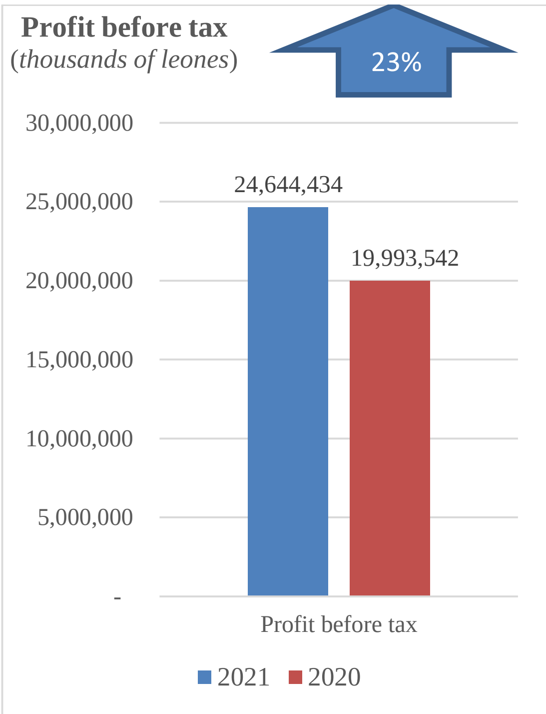
Freetown

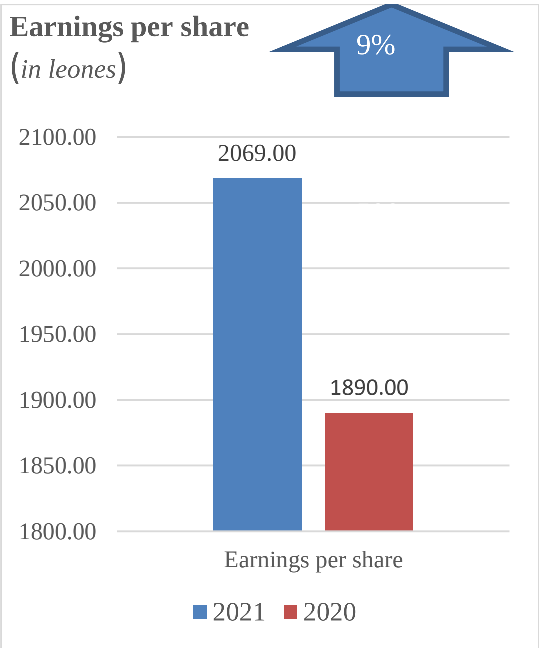
Baker Tilly
Chartered Accountants

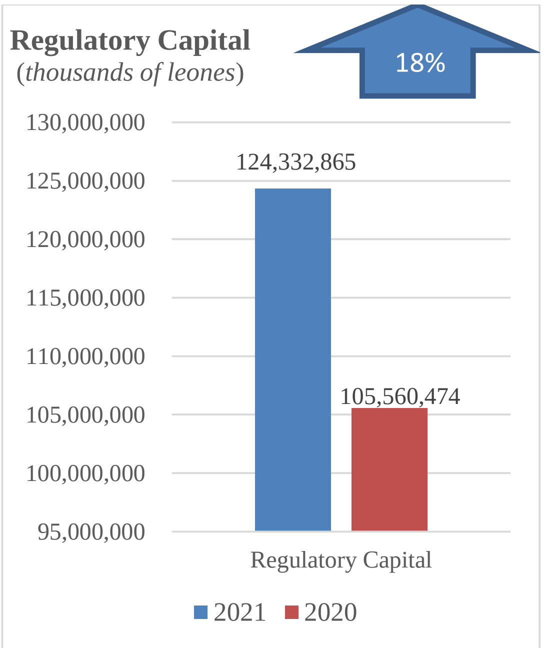
Date: 24 March 2022

Financial highlights









Statement of financial position
As at 31 December 2021

In thousands of Leones	**Note**	**2021**	2020
Assets			
Cash and balances with banks	*16*	**75,754,021**	52,962,058
Loans and advances to customers	*17*	**65,161,447**	33,082,193
Investment securities	*18*	**404,244,997**	207,832,329
Property and equipment	*19*	**25,803,057**	21,861,268
Intangible assets	*20*	**9,715,315**	1,742,805
Tax receivables	*14b*	**735,340**	1,414,339
Other assets	*21*	**5,550,141**	18,610,325
Total assets		**586,964,318**	337,505,317
Liabilities			
Deposit from banks	*22b*	**48,826,538**	6,503,903
Deposit from customers	*22a*	**352,274,155**	219,904,449
Deferred tax liability	*14e*	**325,799**	525,299
Other liabilities	*23*	**61,490,884**	5,024,781
Total liabilities		**462,917,376**	231,958,432
Equity			
Issued capital	*24*	**89,560,815**	79,560,815
Statutory reserves	*25b*	**17,215,925**	17,951,201
Retained earnings	*25c*	**16,985,645**	7,720,921
Other reserves	*25a*	**284,557**	313,948
Total equity attributable to equity holders of the Bank		**124,046,942**	105,546,885
Total equity and liabilities		**586,964,318**	337,505,317

These financial statements were approved by the Board of Directors on 24TH MARCH 2022

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) **Directors**
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The notes on pages 16 to 93 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**	**2021**	2020
Interest income	*8*	**56,650,542**	42,682,237
Interest expense	*8*	**(15,991,786)**	(7,017,632)
Net interest income		**40,658,756**	35,664,605
Net fees and commission income	*9*	**8,061,125**	2,855,130
Net trading income	*10*	**5,890,553**	2,555,889
Revenue		**54,610,434**	41,075,624
Other income	*11*	**3,504,977**	2,202,487
Net impairment loss	*17c*	**(210,089)**	(35,000)
Personnel expenses	*12*	**(4,226,607)**	(3,326,346)
Depreciation and amortization	*19, 20*	**(6,014,001)**	(2,708,953)
Other expenses	*13*	**(23,020,280)**	(17,214,270)
Profit before income tax		**24,644,434**	19,993,542
Income tax expense	*14a*	**(6,114,986)**	(4,957,883)
Profit for the year		**18,529,448**	15,035,659
Other comprehensive income,			
Items that will never be reclassified to profit or loss			
Re-measurements of defined benefit asset		**(39,188)**	107,412
Related tax		**9,797**	(26,853)
Other comprehensive income net of tax		**(29,391)**	80,559
Total comprehensive income		**18,500,057**	15,116,218

The notes on pages 16 to 93 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**	**2021**	2020
Profit attributable to:			
Equity holders of the Bank		**18,529,448**	15,035,659
Profit for the year		**18,529,448**	15,035,659
Total comprehensive income attributable to:			
Equity holders of the Bank		**18,500,057**	15,116,218
Total comprehensive income for the year		**18,500,057**	15,116,218

These financial statements were approved by the Board of Directors on 24TH MARCH 2022

) **Directors**

The notes on pages 16 to 93 are an integral part of these financial statements

Statement of changes in equity

	Share Capital	Statutory reserve	Retained earnings	Other reserves	Total
Balance at 1 January 2021	79,560,815	17,951,201	7,720,921	313,948	105,546,885
Total comprehensive income for the year					
Profit for the year			18,529,448	-	18,529,448
Other comprehensive income:					
Re-measurement of defined benefit liability				(39,188)	(39,188)
Tax on defined benefit liability				9,797	9,797
Total other comprehensive income				(29,391)	(29,391)
Other transfer					
Transfer to statutory reserve		9,264,724	(9,264,724)		
Total other transfer		9,264,724	(9,264,724)		
Total comprehensive income and other transfers		9,264,724	9,264,724	(29,391)	18,500,057
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Transfer to share capital	10,000,000	(10,000,000)			
Balance at 31 December 2021	89,560,815	17,215,925	16,985,645	284,557	124,046,942

The notes on pages 16 to 93 are an integral part of these financial statements

Statement of changes in equity

	Share Capital	Statutory reserve	Retained earnings	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 93 are an integral part of these financial statements

Statement of cash flows

for the year ended 31 December 2021

In thousands of Leones	*Note*	**2021**	2020
Cash flows from operating activities			
Profit for the year		**18,529,448**	15,035,659
Adjustments for:			
Depreciation and amortization	*19,20*	**6,014,001**	2,708,953
Net impairment loss	*17*	**210,089**	35,000
Net interest income	*8*	**(40,658,756)**	(35,664,605)
Actuarial gain in other reserves		**(39,188)**	107,412
Income tax		**6,114,986**	4,957,883
		(9,829,420)	(12,819,698)
Changes in:			
Loans and advances		**(32,289,343)**	(10,190,969)
Other assets		**13,060,184**	1,403,044
Deposit from banks		**42,322,635**	(10,519,183)
Deposit from customers		**132,369,706**	82,433,395
Other liabilities		**56,466,103**	(3,109,555)
		202,099,865	47,197,034
Interest received	*8*	**56,650,542**	42,682,237
Interest paid	*8*	**(15,991,786)**	(7,017,632)
Income tax paid	*14b*	**(5,625,690)**	(4,729,306)
Net cash generated from operating activities		**237,132,931**	78,132,333
Cash flows from investing activities			
Acquisition of investment securities		**(196,412,668)**	(77,017,990)
Acquisition of property and equipment	*19*	**(8,605,403)**	(9,960,570)
Acquisition of intangible assets	*20*	**(9,322,897)**	(1,603,100)
Net cash used in investing activities		**(214,340,968)**	(88,581,660)
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		**22,791,963**	38,238,048
Cash and cash equivalents at 1 January		**52,962,658**	14,724,010
Cash and cash equivalents at year end		**75,754,021**	52,962,058
		=========	=========

The notes on pages 16 to 93 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 authorized for issue by the Bank's Board of Directors on ………………………… 2022.

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 recognized prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized 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 amortized 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 2021 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 recognized 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 amortized 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*

				2021	2020
In thousands of Leones	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
Loans and advances to customers at amortized cost					
Grades 1–3: Low–fair risk	**65,774,029**	-	-	**65,774,029**	33,423,518
Grades 4–5: Watch risk	**-**	-	-	**-**	-
Grade 6: Substandard	**-**	-	**-**	**-**	-
Grade 7: Doubtful	**-**	-	**-**	**-**	-
Grade 8: Loss	**-**	-	**-**	**-**	30,000
	65,774,029	-	**-**	**65,774,029**	33,453,518
Loss allowance	**(570,480)**	-	**-**	**(570,480)**	(349,525)
Other adjustment	**(42,102)**	-	**-**	**(42,102)**	(21,800)
Carrying amount	**65,161,447**	-	**-**	**65,161,447**	33,082,193

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

Current					
Overdue < 30 days	**65,774,029**			**65,774,029**	33,423,518
Overdue > 30 days					-
Total	**65,774,029**			**65,774,029**	33,423,518

Debt investment securities amortized cost

Grades 1-6: Low-fair risk	**404,367,609**	**-**	**-**	**404,367,609**	207,899,346
Loss allowance	**(122,612)**	**-**	**-**	**(122,612)**	(67,017)
	404,244,997	**-**	**-**	**404,244,997**	207,832,329

Financial guarantee contracts

Grades 4-5: Low-fair risk	**22,456,325**	**-**	**-**	**22,456,325**	2,079,486
Loss allowance		**-**	**-**		-
Carrying amount (provision)	**22,456,328**	**-**	**-**	**22,456,328**	2,079,486

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 Le 75.8 billion at 31 December 2021 (31 December 2020: Le 52.9 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.

Type of credit exposure	Percentage of exposure that is subject to collateral requirements **2021**	2020	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 2021 or 31 December 2020.

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 derecognized 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 behavior 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 amortization. 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 grading;
- 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.

				2021			2020	
In thousands of Leones	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers at amortized cost								
Balance at 1 January	**327,537**	**-**	**21,988**	**349,525**	263,986	-	1,290	265,276
Transfer to Stage 1	**21,988**	**-**	**(21,988)**	**-**	-	-	-	-
Transfer to Stage 2	**-**	**-**	**-**	**-**	-	-	-	-
Transfer to Stage 3	**-**	**-**	**-**	**-**	-	-	-	-
Net remeasurement of loss allowance	**220,955**	**-**	**-**	**220,955**	63,551	-	20,698	84,249
Balance at 31 December	**570,480**	**-**	**-**	**570,480**	327,537	-	21,988	349,525

	2021	2020
In thousands of Leones	**Total**	Total
Debt investment securities at amortized cost		
Balance at 1 January	**207,832,329**	130,814,339
New financial assets originated or purchased	**196,535,280**	77,085,007
Net remeasurement of loss allowance	**(122,612)**	(67,017)
Balance at 31 December	**404,244,997**	207,832,329
Cash and cash equivalent		
Balance at 1 January	**52,962,058**	14,724,010
Net remeasurement of loss allowance	**-**	-
Net increase in cash and cash equivalents	**22,791,963**	38,238,048
Balance at 31 December	**75,754,021**	52,962,058
Loans commitment and financial guarantee contract		
Balance at 1 January	**2,079,486**	4,403,815
Net remeasurement of loss allowance	**-**	-
New loan commitments and financial guarantees issued	**20,376,752**	(2,324,329)
Balance at 31 December	**22,456,238**	2,079,486

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 2021**	31 December 2020	**31 December 2021**	31 December 2020	**31 December 2021**	31 December 2020
Carrying amount							
Amount committed/guaranteed		**65,161,447**	33,082,193	**404,244,997**	207,832,329	**22,456,238**	2,079,486
Individuals and others		**20,095,349**	3,981,028	**-**	**-**	**-**	2,079,486
Private enterprises		**44,785,049**	28,839,461	**-**	**-**	**22,456,238**	**-**
Staff		**281,049**	261,704	**-**	**-**	**-**	-
Public enterprises		**-**	-	**-**	-	**-**	**-**
Government		**-**	**-**	**404,244,997**	207,832,329	**-**	-
		65,161,447	33,082,193	**404,244,997**	207,832,329	**22,456,238**	2,079,486
Concentration by sectors							
Commerce and finance		**39,353,997**	19,793,778	**-**	-	**22,456,238**	1,247,691
Transport, storage and communication		**21,714,067**	10,921,468	**-**	-	**-**	831,795
Government		**-**	**-**	**-**	207,832,329	-	-
Others		**4,093,383**	2,366,947	**404,244,997**	-	**-**	-
		65,161,447	33,082,193	**404,244,997**	207,832,329	**22,456,238**	2,079,486

Notes to the financial statements *(continued)*

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 2021

	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*	**48,826,538**	**48,826,538**	**48,826,538**	**-**	**-**	**-**	**-**
Deposit from customers	*22a*	**352,274,155**	**352,274,155**	**322,184,259**	**13,520,143**	**-**	**16,569,753**	**-**
		401,100,693	**401,100,693**	**371,010,797**	**13,520,143**	**-**	**16,569,753**	**-**
Financial Assets by type								
Non-derivative assets								
Cash and cash equivalents	*16*	**75,754,021**	**75,754,021**	**75,754,021**	**-**	**-**	**-**	**-**
Investment securities	*18*	**65,161,447**	**65,161,447**	**6,288,585**	**18,865,756**	**40,007,106**	**-**	**-**
Loans and advances to customers	*17*	**404,244,997**	**404,244,997**	**51,681,875**	**152,797,218**	**199,765,904**	**-**	**-**
		545,160,465	**545,160,465**	**133,724,481**	**171,662,974**	**239,773,010**	**-**	**-**

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 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)

(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**	**2021**	2022
Financial assets			
Loans and advances to customers	*17*		-
Financial liabilities			
Deposits from banks	*22b*		-
Deposits from customers	*22*	**16,569,753**	-
		=========	=========

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	**2021 Carrying amount**	**2021 Fair value**	2020 Carrying amount	2020 Fair value
Balances with Central Banks	**25,736,143**	**25,736,143**	24,439,335	24,439,335
Cash and cash equivalents	**50,017,878**	**50,017,878**	28,522,723	28,522,723
Total liquidity reserves	**75,754,021**	**75,754,021**	52,962,058	52,962,058

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

2021	**Encumbered**		**Unencumbered**		
In thousands of Leones	**Pledge as Collateral**	**Other**	**Available as Collateral**	**Other**	**Total**
Cash and cash Equivalents	-	-	**75,754,021**	-	**75,754,021**
Loans and advances	-	-	**65,161,447**	-	**65,161,447**
Investment securities	-	-	**404,244,997**	-	**404,244,997**
Total assets	-	-	**545,160,465**	-	**545,160,465**

2020	**Encumbered**		**Unencumbered**		
In thousands of Leones	**Pledge as Collateral**	**Other**	**Available 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

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 2021 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.

31 December 2021			**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*	**75,754,021**	**-**	**75,754,021**
Loans and advances to customers	*17*	**65,161,447**	**-**	**65,161,447**
Investment securities	*18*	**404,244,997**	**-**	**404,244,997**
		545,160,465	**-**	**545,160,465**
Liabilities subject to market risk				
Deposits from customers	*22a*	**352,274,155**	**-**	**352,274,155**
Deposit from banks	*22b*	**48,826,538**	**-**	**48,828,538**

31 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

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 2021						
Cash and balances with banks	*16*	**75,754,021**	**75,754,021**	**-**	**-**	**-**
Investment securities	*18*	**404,244,997**	**155,404,154**	**109,004,710**	**139,836,133**	**-**
Loans and advances to customers	*17*	**65,161,447**	**25,154,341**	**-**	**40,007,106**	**-**
		545,160,465	**256,312,516**	**109,004,710**	**179,843,239**	**-**
Deposit from banks	*22b*	**48,826,538**	**48,826,538**	**-**	**-**	-
Deposits from customers	*22a*	**352,274,155**	**335,704,401**	**13,520,143**	**3,049,611**	**-**
		401,100,693	**384,530,939**	**13,520,143**	**3,049,611**	**-**
Effect of derivatives held for risk Management		1**44,059,772**	**(128,218,423)**	**95,484,567**	**176,793,628**	**-**
		144,059,772	**(128,218,423)**	**95,484,567**	**176,793,628**	**-**

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 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 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 2021		
Interest income impact	**1,133,011**	**(1,133,011)**
Interest expense impact	**(319,836)**	**319,836**
Net impact	**813,175**	**(813,175)**
31 December 2020		
Interest income impact	853,645	(853,645)
Interest expense impact	(140,353)	140,353
Net impact	713,292	(713,292)

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 2021		
Net (after tax) interest impact on retained earnings	**609,881**	**(609,881)**
31 December 2020		
Net (after tax) interest impact on retained earnings	534,969	(534,969)

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 summarizes the Bank's exposure to foreign currency exchange rate risk at 31 December 2021. 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	**Leones**	**Euro**	**US$**	**GBP**	**Total**
Cash and balances with the with banks	**54,693,540**	**67,761**	**20,334,652**	**658,068**	**75,754,021**
Treasury bills and other eligible bills	**355,170,058**		**49,074,939**		**404,244,997**
Loans and advances to customers	**65,161,447**				**65,161,447**
Property and equipment	**25,803,057**				**25,803,057**
Current tax asset	**735,340**				**735,340**
Other assets	**5,550,141**				**5,550,141**
Intangible	**9,715,315**				**9,715,315**
Total assets	**516,828,898**	**67,761**	**69,409,591**	**658,068**	**586,964,318**
Liabilities					
Deposit from customers	**324,964,627**	**214,967**	**26,255,620**	**838,941**	**352,274,155**
Other liabilities	**57,055,985**		**4,434,899**		**61,490,884**
Deposit from banks	**48,826,538**				**48,826,538**
Deferred tax liability	**325,799**				**325,799**
Total liabilities	**431,172,949**	**214,967**	**30,690,519**	**838,941**	**462,591,577**
Net on-financial Position	**85,655,949**	**(147,206)**	**38,719,072**	**(180,873)**	**124,046,942**
Credit commitments/ financial guaranties	**22,456,238**				**22,456,238**
At 31 December 2020					
Total assets	**306,657,844**	**4,236,965**	**24,492,024**	**2,118,482**	**337,505,315**
Total liabilities	**206,299,365**	**3,165,905**	**22,161,347**	**6,331,813**	**231,958,430**
Net on-financial position	**100,358,479**	**1,071,060**	**2,330,677**	**(4,213,331)**	**105,546,885**
Credit commitments/ financial guaranties	**2,079,486**				**2,079,486**

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.

2021

In thousands of Leones

	Euro	US$	GBP	Total
Cash and balances with the banks	**67,761**	**20,334,652**	**658,068**	**21,060,481**
Investment securities	**-**	**49,074,939**	**-**	**49,074,939**
Total assets	**67,761**	**69,409,591**	**658,068**	**70,135,420**
Liabilities				
Deposit from customers	**214,967**	**26,255,620**	**838,941**	**27,309,528**
Other liabilities	**-**	**4,434,899**	**-**	**4,434,899**
Total Liabilities	**214,967**	**30,690,519**	**838,941**	**31,744,421**
Net on-financial position	**(147,206)**	**38,719,072**	**(180,873)**	**38,390,993**

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)

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)*

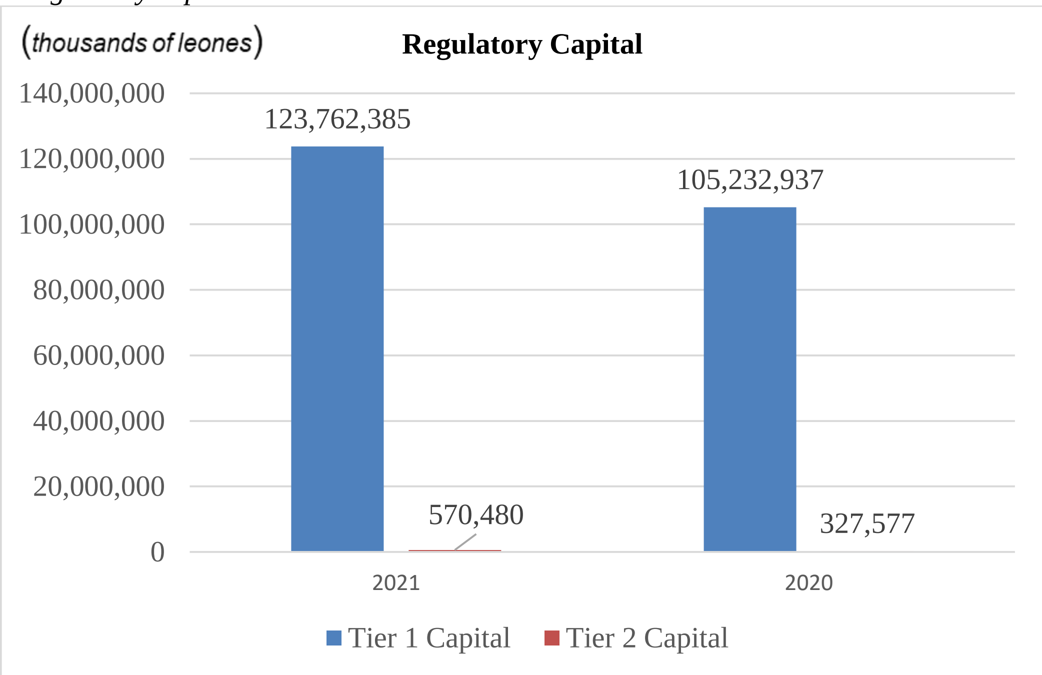
5. Financial risk review (continued)

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*:*

	2021		**2021**	2020
1. Tier 1 capital	**Weighted amount**	**(%)**	**Weighted amount**	Weighted amount
Issued capital	**89,560,815**	**100**	**89,560,815**	79,560,815
Statutory reserves	**17,215,925**	**100**	**17,215,925**	17,951,201
Retained Profit	**16,985,645**	**100**	**16,985,645**	7,720,921
	123,762,385		**123,762,385**	105,232,937
2. Tier 2 capital	**Weighted amount**	**(%)**	**Weighted amount**	Weighted amount
Statutory loan loss reserve		**100**		-
Collective impairment allowance	**570,480**	**100**	**570,480**	327,537
	570,480		**570,480**	327,577
Total capital base	**124,332,865**		**124,332,865**	105,560,474
	=========		=========	=========

	31 December 2021			31 December 2020		
	Amount	**%**	**Weighted amount**	Amount	%	Weighted amount
Foreign cash balances	**21,060,481**	**86**	**4,212,096**	24,892,167	20%	4,978,433
Advances (non-cash guaranteed)	**65,161,447**	**100**	**65,161,447**	33,082,193	100%	33,082,193
Other assets	**5,550,141**	**100**	**5,550,141**	18,610,325	100%	18,610,325
Property and equipment	**35,518,372**	**100**	**35,518,372**	23,604,073	100%	23,604,073
	127,290,441		**110,442,056**	100,188,758		80,275,024
Performance bonds (Cash securities)	**22,456,238**		**22,456,238**	2,079,486		2,079,486
	149,746,679		**132,898,294**	102,268,244		82,354,510
	=========		=========	=========		=========

Notes to the financial statements *(continued)*

5. Financial risk review (continued)

(d) Capital management (continued)

Capital adequacy ratio	**93.6%**	128.28 %
Capital core ratio	**93.1%**	127.78 %

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 optimization 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 maximization 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	80.9%	0%	18%	12.67%	116.11%	16.1 %

Details	**Capital adequacy ratio**	**Liquidity ratio**
Required ratio	**15%**	**60%(min)**
Actual ratio	**93.6%**	**119.18%**

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 recognized 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 recognized 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 2021
Assets

	Level 1	Level 2	Level 3	Total fair values	Total carry amount
Cash and cash equivalents					
Loans and advances to	**-**	**75,754,021**	**-**	**75,754,021**	**75,754,021**
Customers	**-**	**-**	**65,161,447**	**65,038,835**	**65,161,447**
Held-to-maturity investment	**-**	**404,244,997**	**-**	**404,244,997**	**404,367,609**
Liabilities					
Deposit from banks	**-**	**48,826,538**	**-**	**48,826,538**	**48,826,538**
Deposits from customers	**-**	**352,274,155**	**-**	**352,274,155**	**352,274,155**

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

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.

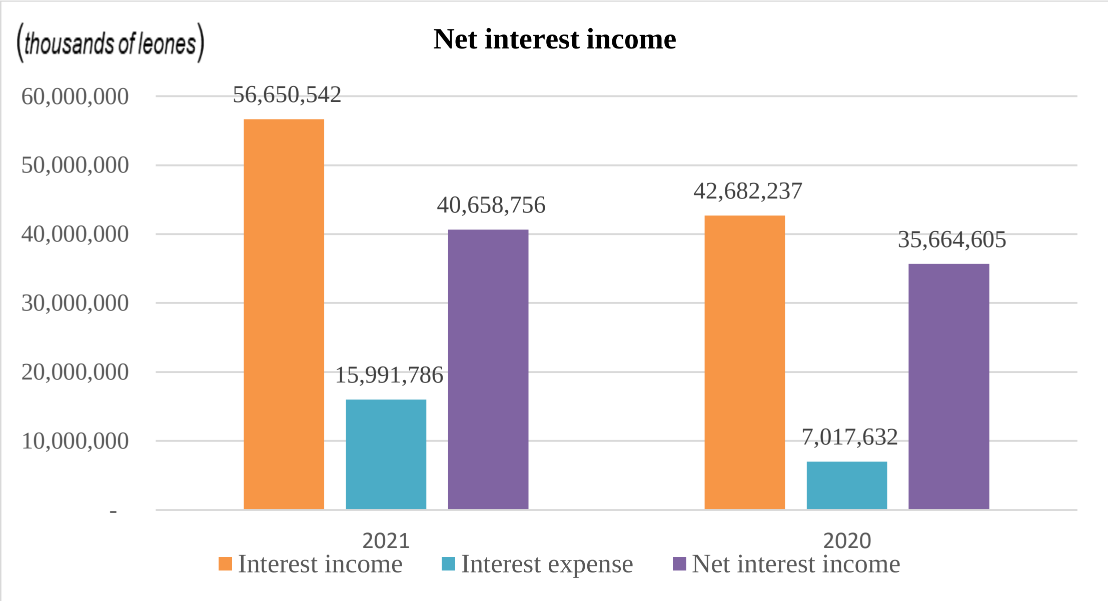
Notes to the financial statements *(continued)*

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)

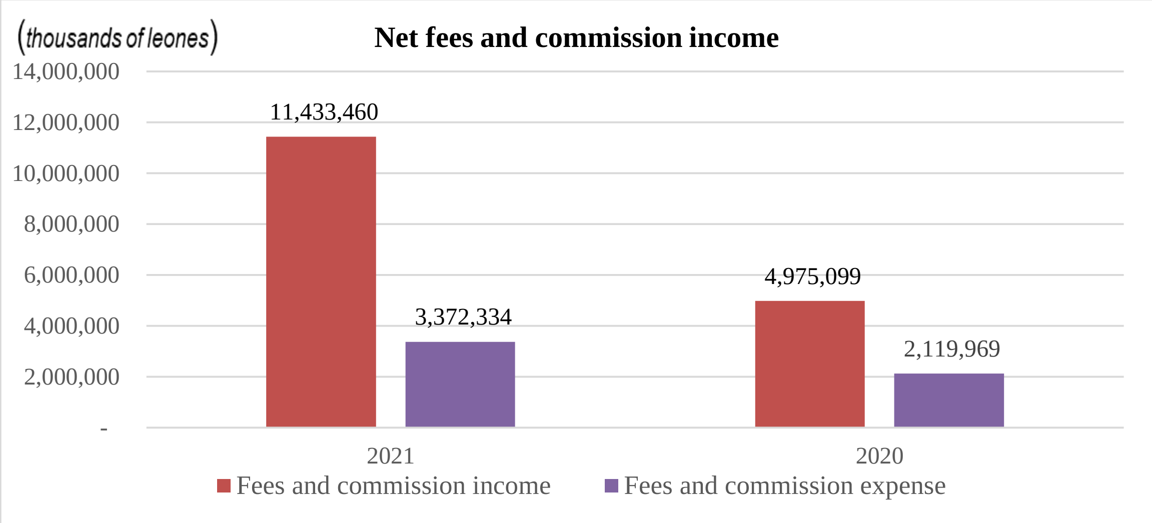


In thousands of Leones	**2021**	2020
Interest income		
Cash and cash equivalents	**1,677,229**	681,485
Loans and advances to customers	**8,179,052**	4,329,676
Investment securities	**46,794,261**	37,671,076
Total interest income	**56,650,542**	42,682,237
Interest expense		
Deposits from customers	**11,908,258**	4,395,276
Interbank deposits	**4,083,528**	2,622,356
Total interest expense	**15,991,786**	7,017,632
Net interest income	**40,658,756**	35,664,605

Notes to the financial statements *(continued)*

9. Net fees and commission income

See accounting policy in note 32 (c)



In thousands of Leones	**2021**	2020
Credit related fees and commission	**919,636**	412,393
Trade finance and other fees	**7,180,978**	1,685,426
Commission on turnover	**3,332,845**	2,877,280
Total fee and commission income	**11,433,459**	4,975,099
Fees and commission expense	**(3,372,334)**	(2,119,969)
Net fees and commission income	**8,061,125**	2,855,130
	=========	========

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	**2021**	2020
Foreign exchange gains	**210,744,353**	163,777,477
Foreign exchange loss	**(204,853,800)**	(161,221,588)
	5,890,553	2,555,889
	=========	=========

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	2021	2020
Rental income	**729,068**	758,458
Other income	**2,775,909**	1,444,029
	3,504,977	2,202,487

12. Personnel expenses

See accounting policy in note 32 (r)

In thousands of Leones	2021	2020
Salaries and allowances	**2,578,653**	2,326,671
Compulsory social security obligations	**369,579**	134,503
Medical	**349,434**	219,577
Other employee cost	**928,941**	645,595
	4,226,607	3,326,346

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	**2021**	2020	**2021**	**2020**	**2021**	2020
Balance at 1 January	**464,474**	408,702	-	-	**464,474**	408,702
Included in profit or loss:		113,129				
Current service cost	**114,672**	96,849	-	-	**114,672**	113,129
Interest cost (income)	**69,340**	-	-	-	**69,340**	96,849
	184,012	209,978	-	-	**184,012**	209,978
Included in OCI						
Remeasurements loss (gain):						
- Actuarial gain arising from:						
- Demographic assumptions	-	-		-		-
- financial assumptions				-		-
experience adjustment	**39,188**	(107,412)		-	**39,188**	**(107,412)**
	39,188	(107,412)		-	**39,188**	**(107,412)**
Others						
Contributions paid by the employer benefit paid	**(119,252)**	(46,794)		-	**(119,252)**	(46,794)
	(119,252)	(46,794)		-	**(119,252)**	(46,794)
Balance at 31December	**568,422**	464,474		-	**568,422**	464,474

Notes to the financial statements *(continued)*

12. Personnel expenses (continued)

b) Actuarial assumptions

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

	2021	2020
Discount rate	**14%**	15 %
Average salary increase	**12%**	13 %
Average inflation rate	**11%**	12 %

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 2021**		31 December 2020	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% Movement)	**530,530**	**611,550**	433,956	499,133
Future salary growth (1% movement)	**614,683**	**527,201**	499,457	443,083
Withdrawal ratio +5	**579,432**	**540,530**	472,411	443,083

Notes to the financial statements *(continued)*

13. Other expenses

In thousands of Leones	**2021**	2020
Premises and equipment cost	**2,354,228**	2,629,669
Professional fees	**376,765**	259,300
Business travel expenses	**746,732**	442,905
Administrative expenses	**7,128,780**	5,205,765
Consultancy and IT	**1,658,155**	1,706,266
Outsourcing cost	**3,119,502**	2,098,445
Recruitment and training	**116,449**	456,778
Events, charities and sponsorship	**7,845**	140,083
Periodicals and subscription	**115,313**	24,810
Security expenses	**767,391**	618,492
Audit fees	**267,500**	241,667
Cash processing and management cost	**158,920**	79,793
Communication	**1,505,099**	748,089
Stationeries, postage and printing	**1,149,614**	852,550
Advertising and business promotion	**318,452**	286,137
Board expenses	**392,820**	402,050
Insurance	**265,265**	173,438
Office provisions and entertainment	**291,450**	192,546
Interest expense on right of use assets	**530,000**	655,487
Provision for legal fees	**1,750,000**	-
	23,020,280	17,214,270

14. Tax expense

See accounting policy in note 32(f)

In thousands of Leones	**2021**	2020
(a) Recognized in the income statement		
Income tax expense:		
Current year	**6,304,689**	4,744,813
Deferred tax expense		
Origination and reversal of temporary difference	**(189,703)**	213,070
Total tax expense	**6,114,986**	4,957,883
Reconciliation of effective tax rate		
Profit before income tax	**24,644,434**	19,993,542
Income tax on profit before tax	**6,161,109**	4,998,386
Tax impact of permanent difference:		
Non deductible expenses	**1,963**	43,127
Tax adjustment due to tax charge	**(48,086)**	(28,487)
Tax incentives	-	(55,143)
Total income tax expense	**6,114,986**	4,957,883

Notes to the financial statements *(continued)*

14. Tax expense (continued)

(b) Income tax asset

In thousands of Leones	**2021**	2020
Balance at 1 January	**1,414,339**	1,429,846
Charge for the year	**(6,304,689)**	(4,744,813)
Income tax paid	**5,625,690**	4,729,306
Balance at 31 December	**735,340**	1,414,339

(c) Deferred tax liability

In thousands of Leones	**2021**	2020
Balance at 1 January	**(525,299)**	(285,376)
Charge for the year	**189,703**	(213,070)
Deferred tax recognized in reserves	**9,797**	(26,853)
Balance at 31 December	**(325,799)**	(525,299)

(d) Amounts recognized in OCI

	2021			2020		
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)	**(39,188)**	**9,797**	**(29,391)**	107,412	(26,853)	80,559
	(39,188)	**9,797**	**(29,391)**	107,412	(26,853)	80,559

Notes to the financial statements *(continued)*

14. Tax expense (continued)

(e) Deferred tax asset and liabilities

Movement in deferred tax balances:

31 December 2021

In thousands of Leones	**Opening balance**	**Recognized in profit and loss**	**Recognized in equity**	**Closing balance**
Property and Equipment	**752,756**	**(112,777)**	**-**	**639,979**
Allowance on loan losses				
Employee benefit	**(130,414)**	**(60,736)**	**-**	**(191,150)**
Employee benefit	**(238,345)**	**(16,190)**	**-**	**(254,535)**
recognized in other reserves	**141,302**	**-**	**(9,797)**	**131,505**
	525,299	**(189,703)**	**(9,797)**	**325,799**

31 December 2020

In thousands of Leones	Opening balance	Recognized in profit and loss	Recognized 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 recognized in other reserves	114,449	-	26,853	141,302
	285,376	213,070	26,853	525,299

Notes to the financial statements *(continued)*

15. Financial assets and financial liabilities

Classification of financial assets and financial liabilities

31 December 2021 *In thousands of Leones*	*Note*	**Mandatorily at FVTPL**	**Designated as at FVTPL**	**FVOCI debt instruments**	**FVOCI Equity instruments**	**Amortized cost**	**Total carrying amount**
Cash and cash equivalents	*16*	-	-	-	-	**75,754,021**	**75,754,021**
Loans and advances to customers:	*17*	-	-	-	-	**65,161,447**	**65,161,447**
Debt securities issued: Measured at amortized cost	*18*	-	-	-	-	**404,244,997**	**404,244,997**
Other assets	*20*	-	-	-	-	**5,550,141**	**5,550,141**
Total financial assets		**-**	**-**	**-**	**-**	**550,710,604**	**550,710,604**
Deposit from customers	*21*	-	-	-	-	**48,826,538**	**48,826,538**
Deposit from banks		-	-	-	-	**352,278,155**	**352,278,155**
Other liabilities	*22*	-	-	-	-	**61,490,884**	**61,490,884**
Total financial liabilities		-	-	-	-	**462,595,577**	**462,595,577**

31 December 2020 *In thousands of Leones*	*Note*	Mandatorily at FVTPL	Designated as at FVTPL	FVOCI debt instruments	FVOCI Equity instruments	Amortized 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 amortized 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

Notes to the financial statements *(continued)*

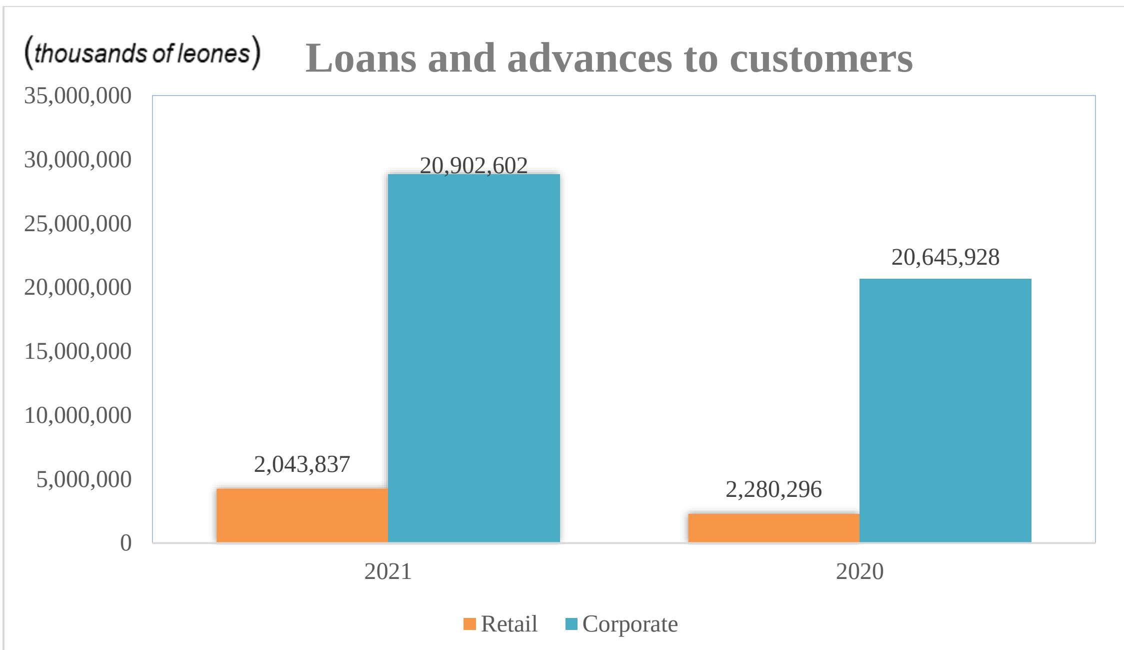
16. Cash and balances with banks

See accounting policy in note 32 (h)

In thousands of Leones	**2021**	2020
Cash in hand and balances with banks	**50,017,878**	28,522,723
Balance with the Central Bank	**25,736,143**	24,439,335
	75,754,021	52,962,058
	=========	=========

17. Loans and advances to customers

See accounting policy in note 32 (i)



In thousands of Leones	**2021**	2020
Loans and advances to customers at amortized costs	**65,774,029**	33,453,518
Less: allowances for impairment	**(570,480)**	(349,525)
	65,203,549	33,103,993
Fair value of staff loan	**(42,102)**	(21,800)
	65,161,447	33,082,193
	=========	=========

Notes to the financial statements *(continued)*

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

a Loans and advances to customers at amortized costs

	31 December 2021			31 December 2020		
a. Retail customer:	**Gross amount**	**Impairment allowance**	**Carrying amount**	Gross amount	Impairment allowance	Carrying amount
In thousands of Leones						
Personal loans	**20,271,168**	**(175,819)**	**20,095,349**	4,023,968	(42,940)	3,981,028
Staff loans	**325,978**	**(2,827)**	**323,151**	286,562	(3,058)	283,504
Corporate Customer:						
Short and long term loan lending	**45,176,883**	**(391,834)**	**44,785,049**	29,142,988	(303,527)	28,839,461
	65,774,029	**(570,480)**	**65,203,549**	33,453,518	(349,525)	33,103,993
Fair value adjustment on staff loan	**-**	**-**	**(42,102)**	-	-	(21,800)
	65,774,029	**(570,480)**	**65,161,447**	33,453,518	(349,525)	33,082,193

b. Allowances for impairment

In thousands of Leones	**2021**	2020
Specific allowances for impairment		
Balance at 1 January	**21,988**	1,290
Impairment loss for the year	**-**	20,698
Other movement	**(21,988)**	-
Balance at 31 December	**-**	21,988
Collective allowances for impairment		
Balance at the beginning of the reporting period	**327,537**	263,986
Impairment loss for the year	**143,995**	63,551
Other movement	**98,948**	-
Balance at 31 December	**570,480**	327,537
Total allowances for impairment	**570,480**	349,525

Notes to the financial statements *(continued)*

17c. Reconciliation of impairment loss

Impairment allowance to statement of comprehensive income

In thousands of Leones	**2021**	2020
Loans and advances	**143,995**	84,249
Treasury bills guarantee and placement	**66,094**	(49,249)
	210,089	35,000

18. Investment securities

See accounting policy in note 32 (j)

In thousands of Leones	**2021**	2020
Held to maturity investment securities	**404,244,997**	207,832,329
	404,244,997	207,832,329

Held to maturity investment securities

In thousands of Leones	**2021**	2020
Treasury bills	**404,195,923**	207,832,329
Money market placement	**49,074**	-
	404,244,997	207,832,329

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 *In thousands of Leones*	Leasehold improvement	Motor vehicle	Furniture and equipment	Work in progress	Total
Balance as at 1 January 2020	20,288,794	3,897,448	14,651,510	1,496,507	40,334,259
Additions	3,386,671	1,731,332	2,682,677	2,159,890	9,960,570
Balance as at 31December 2020	23,675,465	5,628,780	17,334,187	3,656,397	50,294,829
Balance as at 1 January 2021	**23,675,465**	**5,628,780**	**17,334,187**	**3,656,397**	**50,294,829**
Additions	**1,905,759**	**440,197**	**2,720,854**	**3,538,593**	**8,605,403**
Transfers	**2,710,087**	**-**	**685,822**	**(3,395,909)**	**-**
Write off	**-**	**-**	**(5,264,383)**	**-**	**(5,264,383)**
At 31 December 2021	**28,291,311**	**6,068,977**	**15,476,480**	**3,799,081**	**53,635,849**
Accumulated depreciation					
Balance as at 1 January 2020	12,811,799	2,697,784	10,578,741	-	26,088,324
Charge for the year	389,111	382,093	1,574,033	-	2,345,237
Balance as at 31 December 2020	13,200,910	3,079,877	12,152,774	-	28,433,561
Balance as at 1 January 2021	**13,200,910**	**3,079,877**	**12,152,774**	**-**	**28,433,561**
Charge for the year	**1,716,849**	**763,325**	**2,183,440**	**-**	**4,663,614**
Write off	**-**	**-**	**(5,264,383)**	**-**	**(5,264,383)**
Balance as at 31 December 2021	**14,917,759**	**3,843,202**	**9,071,831**	**-**	**27,832,792**
Carrying amount					
At 31 December 2020	**10,474,555**	**2,548,903**	**5,181,413**	**3,656,397**	**21,861,268**
At 31 December 2021	**13,373,552**	**2,225,775**	**6,404,649**	**3,799,081**	**25,803,057**

There are no capitalized borrowing costs related to the acquisition of plant and equipment during the period ended 31 December 2021 (year ended 31 December 2020: 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 2021	**4,527,032**
Acquisitions	**9,322,897**
Balance at 31 December 2021	**13,849,929**
Balance at 1 January 2020	2,923,932
Acquisitions	1,603,100
Balance at 31 December 2020	4,527,032
Amortisation	
Balance at 1 January 2021	**2,784,227**
Amortisation for the year	**1,350,387**
Balance at 31 December 2021	**4,134,614**
Balance at 1 January 2020	2,420,511
Amortisation for the year	363,716
Balance at 31 December 2020	2,784,227
Carrying amount	
At 31 December 2021	**9,715,315**
At 31 December 2020	1,742,805

There were no capitalised borrowing costs related to the acquisition of software during the year (2020: Nil).

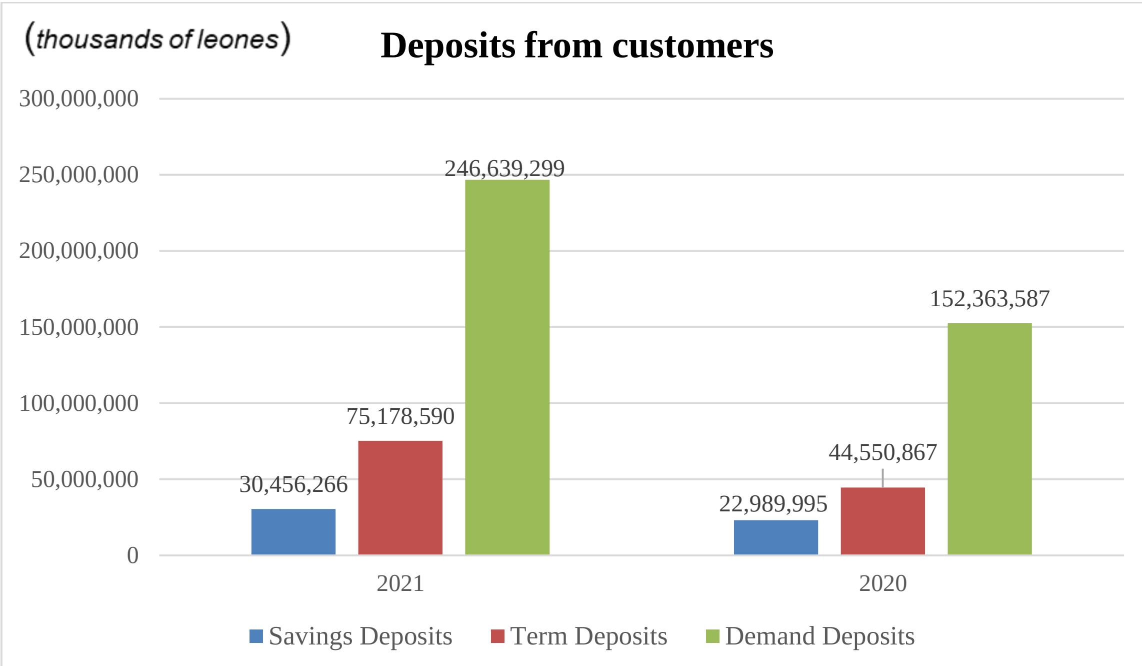
21. Other assets

In thousands of Leones	**2021**	2020
Prepaid expenses	**2,931,448**	4,897,980
Sundry receivables	**786,052**	12,918,888
Inventory	**1,832,641**	793,457
	5,550,141	18,610,325

Notes to the financial statements *(continued)*

22. Deposits from customers

See accounting policy in note 32 (n)



In thousands of Leones	**2021**	2020
Savings deposits	**30,456,266**	22,989,995
Term deposits	**75,178,590**	44,550,867
Demand deposits	**246,639,299**	152,363,587
	352,274,155	219,904,449

22b. Deposits from bank

In thousands of Leones	**2021**	2020
Deposits from local banks	**48,826,538**	6,503,903
	48,826,538	6,503,903

23. Other liabilities

In thousands of Leones	**2021**	2020
Creditors and accruals	**325,543**	723,718
Sundry creditors	**60,596,919**	3,836,589
Defined benefit obligation	**568,422**	464,474
	61,490,884	5,024,781

Notes to the financial statements *(continued)*

24. Share capital

See accounting policy in note 32 (s)

	31 December 2021		31 December 2020	
	No. of shares	**Proceeds Le'000**	No. of shares	Proceeds Le'000
Authorized share capital:				
10,000,000 ordinary shares of Le 10,000 each	**10,000,000**	**100,000,000**	10,000,000	100,000,000
Issued and fully paid:				
At 1 January	**7,956,082**	**79,560,815**	3,087,344	30,873,440
Share issued during the year	**1,000,000**	**10,000,000**	4,868,738	48,687,375
At 31 December	**8,956,081**	**89,560,815**	7,956,082	79,560,815

25. Reserves and retained earnings

See accounting policy in note 32 (s)

a. Other reserves

In thousands of Leones	**2021**	2020
At 1 January	**313,948**	233,389
Net actuarial gain on employee benefit obligation	**(29,391)**	80,559
At 31 December	**284,557**	313,948

b. Statutory reserve

See accounting policy in note 32(s)

In thousands of Leones	**2021**	2020
At 1 January	**17,951,201**	10,433,371
Transfer from net profits	**9,264,724**	-
Transfer to share capital	**(10,000,000)**	7,517,830
At 31 December	**17,215,925**	17,951,201

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.

Notes to the financial statements *(continued)*

25. Reserves and retained earnings (continued)

See accounting policy in note 32 (s)

c. Retained earnings

See accounting policy in note 32 (s)

In thousands of Leones	**2020**	2020
At 1 January	**7,720,921**	203,092
Net profit for the year	**18,529,448**	15,035,659
Transfer to statutory reserve	**(9,264,724)**	(7,517,830)
At 31 December	**16,984,645**	7,720,921

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:

	2021	2020
Contingent liabilities	**22,456,238**	2,079,486

27. Capital commitment

The Bank had no capital commitment as at 31 December 2021(31 December 2020: Le Nil)

Notes to the financial statements *(continued)*

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.

Intercompany transactions entered into with Access Bank Plc during the period under review were as follows:

In thousands of Leones	**2021**	2020
Recoverable expenses	**-**	514,999
	======	=======

Transactions with key management personnel

Key management personnel compensation comprised:

In thousands of Leones	**2021**	2020
Short-term employee benefits	**101,153**	84,794,147
	======	========

Directors' fees

In thousands of Leones	**2021**	2020
Director's expenses	**315,982**	334,981
	======	=======

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.

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.

Notes to the financial statements *(continued)*

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 authorization 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 Cruised 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 behavior. 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 authorization 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 gains or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period and the amortized 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 recognized 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 amortized 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 recognized 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 realized fair value changes, interest, and foreign exchange differences.

(e) Lease

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.

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 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 applied the standard, which is 1 January 2019.

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.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(e) Lease (continued)

i. As a lessee (continued)

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 amortized 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.

Short-term leases and leases of low-value assets

The Bank has elected not to recognize 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.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(e) Lease (continued)

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.

(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 recognized 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 utilized. 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 realized.

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

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities

i. Recognition and initial measurement

The Bank initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments are recognized on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at or Fair Value through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost, Fair Value through Other Comparative Income (FVOCI) or Fair Value through Profit or Loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and solely payments of principal and interest (SPPL).
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in Other Comparative Income (OCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

ii. Classification **(continued)**

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets; how the performance of the portfolio is evaluated and reported to the Bank's management; the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed; the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest for the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

contingent events that would change the amount and timing of cash flows;

terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and

features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

ii. Classification **(continued)**

Non-recourse loans

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Bank typically considers the following information when making this judgement:

whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;

the fair value of the collateral relative to the amount of the secured financial asset;

the ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;

whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;

the Bank's risk of loss on the asset relative to a full-recourse loan; and

the extent to which the collateral represents all or a substantial portion of the borrower's assets;

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

iii. Derecognition

Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) 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 recognized in OCI is recognized in profit or loss.

From 1 January 2018 any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

iii. Derecognition (continued)

Financial assets (continued)

The Bank enters into transactions whereby it transfers assets recognized 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. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale-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 sale-and-repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize 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 recognized for the servicing contract if 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. Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and other fees are included in profit or loss as part of the gain or loss on derecognition.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

iv. Modifications of financial assets and financial liabilities

Financial assets (continued)

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification are used to adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

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

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

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

v. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them 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 under IFRS, or for gains and losses arising from a Bank of similar transactions such as in the Bank's trading activity.

vi. Fair value measurement

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

If there is no quoted price in an active market, then the Bank uses valuation techniques that 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 on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on 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 for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on 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.

The fair value of a financial liability with a demand feature (e.g. 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.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

vii. Impairment

The Bank recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

loans and advances for which there has not been a significant increase in the credit risk debt investment securities that are determined to have low credit risk at the reporting date; and other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

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

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

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

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and

- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

vii. Impairment (continued)

Restructured financial assets

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

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

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

Credit impaired financial assets

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

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

- Significant financial difficulty of the borrower or issuer; a breach of contract such as a default or past due event; the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;

- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or the disappearance of an active market for a security because of financial difficulties.

- A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 30 days or more is considered credit-impaired.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

vii. Impairment (continued)

Credit impaired financial assets (continued)

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

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

Presentation of allowance for ECL in the statement of financial position

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

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;

- Loan commitments and financial guarantee contracts: generally, as a provision;

Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

vii. Impairment (continued)

Non-integral financial guarantee contracts

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether: the guarantee is implicitly part of the contractual terms of the debt instrument;
the guarantee is required by laws and regulations that govern the contract of the debt instrument; the guarantee is entered into at the same time as and in contemplation of the debt instrument; and the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognizes an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognized only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognized in 'other assets'. The Bank presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments.

(h). Trading assets and liabilities

Trading assets and liabilities are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss.

(i) Cash and cash equivalents

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

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

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(j) Loans and advances

Loans and advances' captions in the statement of financial position may include:

- loans and advances measured at amortized cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method;
- loans and advances mandatorily measured at FVTPL or designated as at FVTPL these are measured at fair value with changes recognized immediately in profit or loss

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 recognized in the Bank's financial statements.

(k) Investment securities

The investment securities' caption in the statement of financial position may include:

- debt investment securities measured at amortized cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL (see J(ii)); these are at fair value with changes recognized immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognized in OCI, except for the following, which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost:

- interest revenue using the effective interest method;
- ECL and reversals; and

When debt security measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

The Bank elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI. Cumulative gains and losses recognized in OCI are transferred to retained earnings on disposal of an investment.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(l) Property and equipment

(i) Recognition and measurement

Leasehold building improvement is mainly comprised of major renovations carried out on land and buildings held on an operating lease basis. All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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.

Work in progress refers to unfinished construction and/or major renovation of office building on leasehold land and buildings.

(ii) Subsequent costs

Subsequent costs are included in the asset's carrying amount or are recognized 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in the profit or loss as incurred.

(iii) Depreciation

Freehold land and building is depreciated over a fifty-year period. Leasehold building improvement is depreciated over the lesser of the tenure of the lease or fifty years. Therefore, if the lease period exceeds fifty years, it will be depreciated over fifty years on a straight line basis.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives as follows:

- Freehold land and buildings	- 2% per annum
- Leasehold land and buildings	- Over the lease terms
- Automobiles	- 25% per annum
- Computers	- 33 1/3% per annum
- Computer software	- 20% per annum
- Furniture and fittings	- 20% per annum
- Plant and equipment	- 20% per annum

Work in progress is not depreciated until the work or construction is completed and ready for use, by which time it will be transferred to leasehold building improvement.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognized net within other income.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(m) Intangible assets

Software

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

Expenditure on internally developed software is recognized 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 capitalized costs of internally developed software include all costs directly attributable to developing the software, and are amortized over its useful life. Internally developed software is stated at capitalized cost less accumulated amortization and impairment.

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

Amortization is recognized 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 three to five years.

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(n) 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 recognized 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 recognized in profit or loss. Impairment losses recognized 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.

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 recognized 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 amortization, if no impairment loss had been recognized.

(o) Deposits

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

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(p) Provisions

A provision is recognized 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 recognized 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 recognized 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.

(q) 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.

(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 recognized 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 recognized as employee benefit expense in profit and loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(r) Employee benefits (continued)

(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.

(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.

Notes to the financial statements *(continued)*

32. Significant accounting policies (continued)

(s) Share capital and reserves (continued)

(iv) Statutory reserves

Statutory reserves are based on the requirements of section 30(i) of the Banking Act of Sierra Leone 2019. 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.

(t) 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.

Notes to the financial statements *(continued)*

33. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these financial statements.

A. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The Bank accounts for deferred tax on leases applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position.

B. Other standards

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

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).
- Annual Improvements to IFRS Standards 2018–2020.
- 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.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8)